

# FIRST MODELS OF THE SOCIALIST ECONOMIC SYSTEMS

PRINCIPLES AND THEORIES

by

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## INTRODUCTION

"Money circulation gradually dies away, supplanted by natural exchange, indeed, by the direct allocation of products. Foreseeing this, the People's Commissariat of Finance deliberately aims at the doing away of money and transforms the issue of money merely into a tool for the expropriation of private economy, into a kind of tax levied on the not yet socialized economic relations, this being one of the sources from which to finance the revolution.

"Human relations are becoming transparently natural, the fog of money fetishism, of commodity fetishism, is dissipating before our very eyes and discloses the real economic substance of the relations between town and countryside, consumer and producer, buyer and seller.

"Every pillar of the old world is shaken, the whole old socio-economic system is breaking up and from its constituents entirely new socio-economic combinations have emerged.

"There can be hardly any doubt that with more advanced industrial technologies and with an agriculture which had been more loosened by the capitalist plough and thus suited in its bulk for collectivization, a country in conditions of emergency similar to that prevailing here could have evolved towards true communism.

"But this has not been our lot"<sup>1</sup> — is bitterly stated about the era of War Communism nine years after the October Revolution by Kovalevsky, a member of the Soviet Planning Board (who incidentally had played an outstanding role in the creation of the theory of socialist planning).

From the passages quoted a nostalgia rings out for the first abortive experiment of 'true' socialism and communism. The words of Kovalevsky have been chosen at random from the Soviet economic literature of the twenties. We may quote (and shall do so) the opinions of some of his more renowned and less known colleagues to illustrate that the notions of contemporaries rather differ from the appraisals to be found in current textbooks and other works. However, it was on these that almost the whole generation of today's Marxist economists has been brought up.

Let us survey the description and evaluations to be found in the 'official' textbook of political economy of the fifties, the one published after stormy debates in Moscow in 1954: "It was still in the spring of 1918 when the Soviet power set itself the task of building up commodity exchange with the countryside, relying on buying and selling. Preparation for monetary reform was started. But, owing to foreign intervention, the whole economy had to be put at the service of the front,

<sup>1</sup> N. Kovalevsky: 9 let ekonomicheskoi politiki proletariata. *Planovoe Khozyaistvo*, 1926, No. 10, pp. 20-21.



under conditions when material resources were extremely scarce... It proved impossible to bring in the agricultural produce necessary for the army and the town by buying and selling. These products had to be provided by circumventing the market, by arranging for the obligatory delivery of all surplus products, the state sequestering all surplus food from the peasants. Thus the objective conditions compelled the Soviet power to adopt the policy called 'War Communism'... Therefore, if there had been no intervention, and no economic deterioration had been caused by the long war, the proletarian state would have dispensed with 'War Communism'... Having repelled foreign intervention and terminated the civil war the Soviet power changed over to the New Economic Policy (abridged: NEP) in the spring of 1921; its name reflected the intention of distinguishing it from the policy of 'War Communism'. The principles of the New Economic Policy had been worked out by Lenin still in the spring of 1918, but their implementation was interrupted by intervention. Only after three years was it possible for the Soviet power to proclaim this policy again, and to put it consistently into practice."<sup>2</sup>

This well-known passage has not been quoted in order to condemn once more this much criticized textbook, especially in view of the fact that many of its statements are obviously no longer maintained by the surviving authors.<sup>3</sup> Yet the same sequence of ideas recurs, almost in the same wording, in recent textbooks and writings published since then and can accordingly be considered as fully endorsed even today.<sup>4</sup>

On the basis of the afore-mentioned quotation, the substance of the matter may be summed up as follows: (a) Immediately after the October Revolution, i.e. in the spring of 1918, the Bolshevik Party intended to build socialism in conformity with the principles of NEP; (b) This was hindered, or rather interrupted, by the civil war and foreign military intervention; (c) Thus War Communism is nothing else but war economy resorted to under the pressure of a random coincidence, as it were, of historical circumstances; (d) It was abolished as soon as the civil war was terminated.

This pleasing pattern may look, however, instantaneously suspicious even in the eyes of a reader not very familiar with the economic literature of this period

<sup>2</sup> *Politicheskaya ekonomiya*. Uchebnik. Moscow, 1954, pp. 330-331.

<sup>3</sup> To tell the truth, it must be observed that the passage quoted from the textbook is nothing else but a paraphrase - without reference - of the following statement made by Stalin more than 40 years ago: "It would be incorrect to think that the proletarian dictatorship in the U.S.S.R. began its economic work with War Communism. Some comrades incline towards this opinion. But it is a wrong opinion. On the contrary, the proletarian dictatorship in our country began its constructive work not with War Communism, but with the proclamation of the principles of what is called the New Economic Policy. Everyone is familiar with Lenin's pamphlet: The immediate tasks of the Soviet Power, which was published in the beginning of 1918, and in which Lenin first substantiated the principles of the New Economic Policy. True, this policy was temporarily interrupted by the conditions of intervention, and it was only three years later, when war and intervention had been ended, that it had to be resumed." I.V. Stalin: The programme of the Comintern. Speech Delivered on July 5, 1928. In: *Works*. Vol. 11. Foreign Languages Publishing House, Moscow, 1954, pp. 152-153.

<sup>4</sup> In this context we may refer to a few "standard" textbooks chosen at random: *Politicheskaya ekonomiya sotsializma*. Ed.: K.N. Shafiev. Moscow, 1960, pp. 30-31; *Politicheskaya ekonomiya sotsializma*. Ed.: M.S. Atlas. Second, revised edition. Moscow, 1962, pp. 41-42; *Politicheskaya ekonomiya*. Uchebnik. Fourth revised and enlarged edition. Moscow, 1962, pp. 342-343; *Kurs politicheskoi ekonomii*. Ed.: N.A. Tsagolov. Vol. II, second, enlarged edition. Moscow, 1970, pp. 47-49.

yet somewhat knowledgeable as regards historical facts, whenever remembering Lenin's words justifying and evaluating the introduction of NEP: 'retreat', 'concession to the peasantry' or calling, on the other hand, War Communism 'a mistake'. These statements somehow do not fit into the above scheme. And again, the reader may recollect that the transition to NEP was decided in March 1921, at the Tenth Congress of the Russian Communist (Bolshevik) Party, and not the previous year when the civil war appeared to have come to an end,<sup>5</sup> and when the Ninth Congress (in session between March 29 and April 4, 1920) had under consideration quite different measures for starting on reconstruction; and he may have justifiable doubts as to whether the transition to NEP can indeed be explained merely by the termination of the civil war, and whether War Communism was indeed conceived by its architects as something temporary, a historical *détour*, as it were.

The raising of these questions may seem mere hairsplitting, yet the clarification of a problem of much broader relevance depends on the answer; namely, which of the functional models of socialist economy was theoretically and practically the initial pattern of the socialist socio-economic system: a centralized subsistence economy, managed by instructions, based on egalitarian principles, or a regulated market economy, relying on material incentives?<sup>6</sup> If this problem can be sufficiently clarified, the substance of NEP will also appear in a different light, and the mode of transition to it will immediately turn from a problem of party history into one of the history of economic thought, in fact not merely into a 'historical' issue: since half a century of socialist economic development could not reduce the significance of this problem to one relevant only to the past.

<sup>5</sup> The Soviet power was restored by the Red Army in Siberia in January 1920, Admiral Kolchak was executed on February 7; Archangel was occupied on February 21, Murmansk in mid-March, thus liquidating also the northern front; the army of General Denikin was crushed in the same month, Denikin himself fled on March 27. The army of Baron Wrangel in the Crimea and the aggression of the Polish bourgeoisie were a potential danger, but at that time there was still a chance for a peaceful settlement. (The Poles started their offensive at the end of April, Wrangel his in August. Therefore the fight against the white guards and the foreign interventionists lasted until October-November 1920; the armistice with the Poles took effect on October 20, while Wrangel fled with the remnants of his crushed army to Turkey on November 14-15.)

<sup>6</sup> In conformity with the interpretation now accepted in Marxist economic literature the functional model of a socialist economy is to be understood here and throughout as the system comprising the type of economic mechanism, as well as the generalized pattern of its operative principles. [Cf.: Włodzimierz Brus: *Ogólne problemy funkcjonowania gospodarki socjalistycznej* (General problems of the functioning of the socialist economy)] PWN, Warsaw, 1961, pp. 7-14.



## SALIENT FEATURES OF THE ECONOMIC SYSTEM OF WAR COMMUNISM

The books and studies dealing with the various problems of NEP – whether written for professionals or for the general public – could fill a library, yet the subject cannot be considered as exhausted. On the other hand, War Communism is usually touched upon in a few restrained references only. True enough, War Communism had a 'military' character *in statu nascendi*, as evidenced, among other things, by the fact that economic activity was focused on *distribution* and not on *production*, the main problem being to allocate the scarce goods available; the decrees and measures known to us deal almost exclusively with distribution. Yet, it would be of little avail to look upon War Communism merely as a proletarian socialist pattern of war economy, since such an approach would fail to take into account that War Communism was aimed at laying the foundations of a socialist economy and had its own established ideology.

Let us try to outline the principles underlying the system of War Communism.

The first principle seems to have been the *maximum extension of State ownership, the direct authority of the State*. After the socialist revolution, the working class in power seizes the key positions of the economy by socializing the large banks, railways, shipping, mining, large-scale industry, foreign trade, etc. This is what had happened so far whenever socialist transformation had taken place. In the autumn of 1917 and the spring of 1918 the Soviet government put an emphasis on controlling private capital, on applying certain forms of State capitalism to both domestic and foreign capital.<sup>1</sup> How gradual the expansion of State ownership was meant to be, can be well seen from the wording of the government order on the nationalization of large-scale industry, dated June 28, 1918, which contained the following paragraph III: "Until the Supreme Council for National Economy takes separate measures regarding each individual enterprise, the enterprises declared with the present order to be owned by the Russian Soviet Federal Socialist Republic remain in the charge of their previous owners as lessees, free of charge; the boards and previous owners continue to finance the enterprises as before and, similarly, enjoy the resulting income on the basis operating hitherto."<sup>2</sup> (This gradualness is generally understood to characterize the early 1918 plan of building socialism. This issue will be returned to later.)

<sup>1</sup> For example, at the Brest-Litovsk peace talks the original proposals of the Soviet delegation also contained a plan of concessions.

<sup>2</sup> *Direktivy KPSS i Sovetskogo pravitel'stva po khozyaistvennym voprosam. 1917–1957 gody*. Moscow, 1957, Vol. I, p. 83. (Below: *Direktivy KPSS*.) This decree was commented upon by the Berlin newspaper *Vorwärts* on July 16, 1918 as follows: "The decree is a sensation because through the Supreme Council for National Economy the Soviet Republic acquires the formal ownership of the industrial enterprises, yet the capitalists do not seem to be restricted in their rights and incomes." Quoted by L. Kritsman: *Geroicheskiy period Velikoi Russkoi Revolyutsii* (Opyt analiza t.n. 'voennogo kommunizma'). *Vestnik Kommunisticheskoi Akademii*, 1924, No. 9, p. 51.

The further course of events, the outbreak of civil war, the sharpening of class struggle and, last but not least, the spontaneous initiative of the masses accelerated the process of expropriation and very soon drove it beyond the sphere of large-scale production. In virtue of one of the last measures of nationalization, the decree of the Supreme Council for National Economy dated November 29, 1920, on the nationalization of small-scale industry, the State took over industrial plants employing more than five workers if they had mechanical power, and those employing more than ten workers if they had none. In reality, however, a great many plants smaller than these were nationalized. According to the industrial census of 1920, 13.9 per cent of State enterprises employed one worker, 53.7 per cent 2–15 workers, 10.9 per cent 16–30 workers.<sup>3</sup> Thus, one seventh of State 'enterprises' employed only one single worker each! But even so, nationalization was not complete, because, according to the industrial census quoted, the workers of State enterprises comprised only 53.3 per cent of all industrial earners. The rest worked in private and co-operative industrial enterprises as wage earners (21.5 per cent) or were self-employed (25.2 per cent). But if we consider that co-operative and private enterprises most certainly could not be assigned to large-scale industry and that, under the circumstances of war mobilization, they produced according to instruction of and for the government,<sup>4</sup> it may be said that government control over the means of production in industry was fairly complete.

The situation was similar in transport, communications and 'trade', i.e. in distribution, since legal purchase and sale ceased to exist. In agriculture, the means of production – except land – remained the private property of peasants but, through the obligatory delivery of surplus produce, the state disposed of a substantial part of the product. A further step towards the direct regulation of peasant production by the State was taken after the end of the civil war, in December 1920, when the VIIIth Congress of Soviets passed a resolution, according to which peasant farms formally became addressees of the plan. The resolution could not be implemented (this will be dealt with in detail later), but it shows well the intrinsic logic of the system of War Communism.

The second principle of War Communism can be considered to have been *forced allocation of labour*. This is understood to mean the general extension of administrative methods of organizing public works to the sectoral and regional allocation, to the utilization and to the disciplining of labour, or, as it was termed in those days the 'militarization' of labour.

It is a strongly emphasized objective of all socialist revolutions to abolish exploitation and parasitism. The slogan: "he who does not work, neither shall he

<sup>3</sup> *Na novykh putyakh*. (Ed.: V. Milyutin, S. Strumilin, L. Kritsman, etc.) Moscow, 1923, Part III, p. 176 (the article by P.I. Popov).

<sup>4</sup> Let us quote here two paragraphs from the order issued on Sept. 7, 1920, by the Council of People's Commissars "On the regulation of handicrafts and non-nationalized industries": "Par. 14. For enterprises belonging to the said categories (private companies employing less than 5 wage workers or 10, if they had no mechanical prime mover – *L.Sz.*) orders are recorded and allocated by the Glavkustprom (the directorate dealing with matters of handicrafts and industrial co-operatives – *L.Sz.*) and its local organs. Any distribution of orders and raw materials among these enterprises by other State or social bodies – circumventing the Glavkustprom – is forbidden. – Par. 15. Irrespective of the origin of the raw material, every product turned out must be handed over to the Glavkustprom to one of its local bodies or to other governmental or co-operative agencies marked out by the former. The sale of the said products on the free market is forbidden." *Direktivy KPSS*, p. 184.



eat" had, for centuries, been a demand proclaimed with elementary force by the plebeian masses in every revolutionary movement. This slogan was carried out by the socialist revolution by proclaiming a general obligation to work before fully liquidating the economic foundation of parasitism, capitalist private ownership. This is what happened in the October Revolution as well. The Declaration of the rights of the toiling and exploited people, adopted by the IIIrd Congress of Soviets on January 12, 1918, announced, among other things, that "in order to liquidate the parasitic strata of the society and to organize the economy, a general obligation to work is introduced".<sup>5</sup>

The introduction of a general obligation to work may be explained – beyond the general aims of the socialist revolution – also by the actual circumstances of war: by the need to carry out extraordinary and occasional public works, as was done during World War I in most belligerent countries. What makes the general compulsion to work a specific feature of the system of War Communism is its being conceived as a regular operative principle of socialist economy. Already the declaration of the victorious proletarian revolution just quoted intended to introduce a general obligation to work – among other things – for 'organizing the economy'. This is even more unequivocally formulated in the programme of the Bolshevik Party, adopted by the VIIIth Congress on March 22, 1919, (which was officially valid up to the XXIIInd Congress in 1961): "For the planned development of the national economy it is indispensable to put the entire manpower of the state to maximum use, correctly distributing and redistributing labour over geographical areas and branches of the economy. This is the forthcoming task of the economic policy of Soviet power, and this can only be realized in close unity with the trade unions. With the participation of the trade unions, the Soviet power shall – to an incomparably greater extent and more regularly than hitherto – resort to a general mobilization of the entire able-bodied population for performing certain public works."<sup>6</sup>

These programme declarations did not remain on paper only. The 'labour mobilizations' started late in 1918 played subsequently an ever-growing role. At the beginning of 1920 a whole system of forced allocation of labour was decreed. The decree on the general obligation to work issued by the Council of People's Commissars on January 29, 1920, lists the cases when compulsory work should be resorted to. In addition to occasional and periodical public works (procurement of fuel, agricultural campaigns, constructional work, road building, clearing away of snow, transportation, warding off natural calamities, etc.), to the utilization of army labour and the employment of people not performing socially useful work, the enumeration contains two items of interest for our investigation. One of them prescribes that "indispensable skilled workers should be detached from the army and people employed in agriculture and small-scale industry should be transferred to state-owned enterprises, institutions and farms", while the second mentions the "necessary re-allocation of available manpower".<sup>7</sup> The decree also created an apparatus to deal with forced mobilization and distribution of manpower. This was the High Commission for General Obligatory Work, subordinated directly to the government, with representatives of the commissariats for

<sup>5</sup> *Directivny KPSS*, p. 32.

<sup>6</sup> *Ibid.* pp. 122–123.

<sup>7</sup> *Ibid.* p. 151.

labour, internal affairs and defence. The High Commission had also local bodies: commissions in the provinces, districts and towns. Their task consisted of implementing the national and local mobilization of labour. They also had official authority: they could mete out punishment to those shirking the obligation to work or committing other offences (leaving their jobs, falsification of documents, perfunctory organization of work, etc.). In the case of lesser offences they could resort to administrative measures: send the offenders to labour companies or condemn them to imprisonment of up to two weeks.<sup>8</sup> In graver cases they could send them to the people's courts or revolutionary courts.

These 'labour mobilizations' came to be used to a growing extent in the years of War Communism. In 1920, e.g., railway engine drivers, firemen, fitters and foremen, miners, water transport specialists, construction workers, metal workers, shipbuilders, etc. were mobilized, and the leaving of jobs was forbidden to those working under the authorities responsible for forestry, peat-cutting, crude oil and shale extraction, some paper mills and shipping companies. Entire age groups were mobilized. Women between 16 and 45 were obliged to sew underclothes for the army. In 38 provinces adolescents aged 13–18 and the old had to collect cones for fuel.

In the wake of a resolution adopted by the IXth Party Congress, instead of demobilizing them, units of the Red Army were increasingly turned into "labour armies" in order to solve "both practical economic problems and those of education in the spirit of socialism". Thus, the Siberian Labour Army was engaged in coal mining, tree felling, railway construction, the Caucasian Labour Army was charged with railway construction and crude oil extraction, the Ukrainian and the Donets Labour Armies with coal mining, etc. Their total effective reached 280,000. These units were dissolved after the introduction of NEP, early in 1922.<sup>9</sup>

The third principle underlying War Communism was the far-reaching central management of economic activity (production, trade, distribution). This is perhaps its best known feature, although usually only one of the aspects: the necessary centralization of distribution – the allocation of scarce material goods – is emphasized. As a matter of fact, centralization also involved the operative management of production – as far as regular production could be carried on under the conditions prevailing at that time – being performed by the central authorities; thus productive units ceased to be enterprises although they were still referred to as such. Their activity was financed by the state budget;<sup>10</sup> the expenses of the enterprises were covered by the People's Bank in accordance with the centrally approved plan and the cost estimates of the enterprise, while the products

<sup>8</sup> *Ibid.* p. 152.

<sup>9</sup> Source of the data: L.N. Yurovsky: *Denezhnaya politika Sovetskoi vlasti (1917–1927)*. Moscow, 1928, pp. 53–54.

<sup>10</sup> The decree issued by the Council of People's Commissars on March 4, 1919, "On the financing of state enterprises" reads: "1. The only source of monetary means for all state (nationalized, earlier state-owned budgetary, sequestered, etc.) enterprises is money allotments from the state budget of the RSFSR. 2. The enterprise or the body controlling the given branch is obliged to hand over any money receipts, cheques, cash, etc. without exception, whether originating from the delivery of products or received under other titles, to the state treasury as the income of the given enterprise or branch..." *Direktivny KPSS*, pp. 114–115.



turned out were at the disposal of central bodies. (Owing to the ousting of inflated paper-money, central financing was soon replaced by centralized supply in kind.)

Productive enterprises were controlled by industrial sectoral boards (high commissions, directorates, departments), the *glavki*, directly subordinated to the Presidium of the Supreme Council for National Economy or to one of its departments. By the end of 1920 these numbered about 50. In full command of their field, these sectoral boards were practically independent even of the Supreme Council. (This is why the system of economic control under War Communism is sometimes called 'glavkism', after the Russian abbreviation.) At a first glance it may seem startling and as contradicting the logic of the system that the activity of the *glavki* should not have been surveyed by any central body and that there should have been no uniform central plan either. According to the prevailing concept, central control was to be exercised by the Supreme Council for National Economy attached to the government.<sup>11</sup> A decree issued in the second month of the revolution described these functions as 'regulation', 'co-ordination', 'planning'. (Similar functions were to be discharged by the local councils for national economy established in the countryside.) But, with economic relations rapidly becoming 'naturalized' it proved practically impossible to fulfil this role, and the Supreme Council for National Economy turned into some kind of Ministry of Industry (separate commissariats for various industries did not yet exist). Namely, from the logic of centralized 'natural' economy (economy in kind) it precisely follows that tasks have to be prescribed in the greatest possible detail, in physical units of measurement. This, however, is only possible on a sectoral level if the pattern of production is relatively homogeneous but is not feasible on a national scale, even with present-day computer-technology, since solutions have limitations not so much of a technical as of a conceptual kind, depending on the level of production. Thus, organizational fragmentation came into being, not despite the system of War Communism, but because of it.<sup>12</sup>

However, what could not be achieved in the field of production, was attained in broad outlines in distribution. There existed, namely, a central body by which the goods produced and collected were distributed among the various authorities according to pre-determined plans. On November 21, 1918, an interdepartmental body attached to the Supreme Council for National Economy was established under the name of Committee for Utilization which was not engaged in production control or planning but – relying on information received from the various au-

<sup>11</sup> The order of Dec. 2, 1917 establishing the Supreme Council for National Economy defined its tasks as follows: "The task of the Supreme Council for National Economy consists in organizing the national economy and state finances. To this end the Supreme Council for National Economy shall work out the general normatives and plan regulating the economic life of the country, co-ordinate and unite the activities of the central and local regulating institutions... of the All-Russia Workers' Control Council, as well as those of the plant and trade union organizations of the working class." – *Direktivny KPSS*, p. 27.

<sup>12</sup> This was well grasped by a leading official of the Soviet Planning Office, when, a decade later, he summarized the experiences of development up to then: "The teleology of war and the shock methods of management proved to be incompatible with the planning activity for which the Supreme Council for National Economy had been called into being as a body controlling the economy. For crash methods under conditions of war the organizations and commissariats independently of one another proved better suited, fulfilling not controlling but operative functions." A.S. Gordon: *Sistema planovoykh organov SSSR*. Moscow, 1929, p. 13.

thorities – assessed the existing and expected reserves, drew up balance-like allocation-plans which were then approved by the Supreme Council for National Economy. On the basis of these plans the ever-widening number of products subject to central allocation were allocated by the Committee for Utilization first directly to the final users, later only to the main authorities. The scope of central allocation kept on increasing. In December 1918, allocation plans had been drawn up for only the following 19 products: fish, meat, oats, hay, millet-mush, oil-cake, sugar, salt, thread, flax yarns, gumshoes, felt boots, shoes, military leather uniform, woollen cloth, flax cloth, cotton cloth, cotton wool, petrol. A considerable part of these consumer goods were centrally allocated not in absolute quantities, but utilization norms and rations were established. The plans gradually came to cover the whole legal turnover. 44 allocation plans were drawn up in 1919, and 55 in the first ten months of 1920. The latter comprised the allocation of 352 articles (groups of articles).<sup>13</sup> According to the then prevailing ideas, it was assumed that planned central control was going to develop from the activities of the Committee for Utilization or of some similar body by extending its operations and making them comprehensive.

The fourth principle of the system of War Communism consists of the class and social principles of distribution. Since amidst war and inflation, distribution became almost completely 'naturalized' and money incomes lost their determinative role in distribution, the workers of the State sector and the urban population were supplied mainly by way of rationing and other allocations in kind. In distribution – owing again to the emergency situation – the principle of egalitarianism prevailed, departures occurring initially only on a class basis.

The 'class ration' appeared first in 1918 in Petrograd, but soon spread elsewhere, and the decree of the People's Commissariat for Food of October 19, 1918, made the application of this principle compulsory. But practical implementation varied according to the discretion of local bodies. For example, the Moscow Soviet introduced the 'class ration' so that the population was grouped into four categories. To the first belonged workers who performed work particularly detrimental to health, to the second those performing heavy work but under normal conditions, the third group comprised those performing light manual work, administrative and intellectual work under healthy conditions as well as women in their own households, the fourth embraced the free professions, those living on income from capital and those unemployed who had not been registered with the labour exchanges. Separate measures were in force for the supply of young children. The quantitative relation in the four categories was 4:3:2:1.

As has been mentioned, distribution policy was aiming at egalitarianism – at least as regards those actually working. But this principle could not be consistently adhered to since the war effort soon necessitated the introduction of 'special' rations. Thus, special rations were granted to workers in priority enterprises, sectors and regions vital for the war effort (as in Ural mines and factories). In the second half of 1919 additional rations were granted to disabled members of families of Red Army soldiers. Besides the People's Commissariat for Food a committee to provide workers with food was created, which set up special norms; soon there

<sup>13</sup> See L. Kritsman: *Yedinyi khozyaistvennyi plan i Komissiya Ispol'zovaniya. Narodnoe Khozyaistvo*, 1920, No. 18, pp. 28–35.



5. were some 30 of them. Later, on April 30, 1920 the government made an attempt to unify and simplify by decree the various distribution norms, but the system of differentiated rationing continued right up to the introduction of NEP. The hierarchical character of distribution was strengthened by the fact that one person could claim several rations under different titles.<sup>14</sup>

Finally, the fifth and perhaps most characteristic principle of War Communism was the 'naturalization' of economic life, the abolition of commodity and money relations.

This process was started by discontinuing commodity exchange between the towns and the countryside when the Soviet government felt constrained to decree the compulsory delivery of surplus grain. Grain had a fixed price determined by the State even before the October Revolution, and also the temporary Government declared the procurement of grain to be a State monopoly; but a practical implementation of this proved to be impossible. The Soviet government first tried to stimulate purchases by economic measures: an order of March 25, 1918, provided for commodities worth 1160 million roubles to promote exchange with the countryside, and hoped to procure in this manner 120 million poods of grain. Only after the failure of this plan – due to the shortage of commodities, to the disorganized state of the machinery charged with its implementation, and mainly to the behaviour of the peasantry (only 400 thousand poods could be collected on the basis of commodity exchanges at fixed prices) – was the famous decree of May 9 born, investing the Commissar for Food with extraordinary powers, announcing 'food dictatorship' and calling upon the urban workers and poor peasants in the countryside to confiscate the surpluses of those hiding grain. This decree also ordered the compulsory delivery of grain surpluses.<sup>15</sup>

Thus, procurement was replaced by collection and distribution. These functions were performed by the People's Commissariat for Food and its local bodies.

Initially, the collection of agricultural products had – to use an expression fashionable today – several 'channels': State monopolies, compulsory delivery and State procurement. But this was of no major importance, since partly produce was collected at fixed prices and paid in money rapidly losing its value and thus the frontiers between these forms soon became blurred, and partly the number of products the collection of which was the monopoly of the Commissariat gradually increased and covered practically every sort of produce and animal product. It was a logical outcome of this evolution that the government decree issued on November 21, 1918 declared in its first paragraph: "In order to replace the machinery of private trade and to supply the population with all products in a planned manner through Soviet and co-operative units of distribution, the Commissariat for Food must collect every product necessary for personal consumption and for households."<sup>16</sup> The decree merged co-operative shops into a network providing for the supply of food and municipalized private shops. Thereby private trade was in fact liquidated and all free-market transactions prohibited. Thereafter every citizen had to be registered with some State shop or co-operative shop to

<sup>14</sup> See P.I. Lyaschenko: *Istoriya narodnogo khozyaistva SSSR*. Vol. III. Moscow, 1956, pp. 111–112 and L.N. Yurovsky: *op. cit.* (in Note 9) pp. 62–63.

<sup>15</sup> See *Direktivы KPSS*, pp. 52–54.

<sup>16</sup> *Ibid.* p. 91.

obtain his ration. This was tantamount to bringing about the compulsory organization of the population into consumer co-operatives.

Thus, the legal free market was abolished and so also was the State-regulated market, since economic relations lost their exchange character: the relationship between State enterprises was – as we have seen – of a quite different kind, and, so far as small-scale agricultural producers were concerned, it was a one-way movement: for their products the State gave, more often than not, only paper money of no value. The State deliberately aimed at eliminating every element of market relations from economic activities. This is well reflected in the demand appearing in the resolution taken by the second national conference on public supply, meeting in July 1920: "The whole work of collection must be based on the legal obligation to deliver the surplus of all agricultural produce. Collection of the most important produce based on sale and purchase or so-called spontaneous collection must be absolutely excluded... As regards the main foodstuffs, the delivery obligation should be established in such a way as neither to exceed the surplus product existing in agriculture, nor to leave there a free surplus."<sup>17</sup>

Settlements in money terms between the State-owned enterprises, as well as between the State as seller and workers and employees as buyers were made illusory owing to the cessation of market relations, the more so since fixed prices lost their meaning in a world of rapidly inflating money. They could not play for long even the role of fictitious accounting units. It was only natural that the State should deliberately shift to distribution which by-passed money. Thus, in the second half of 1920, postal and telegraphic charges were abolished one after the other, the use of flats, telephones, water, gas and electricity was made available free of charge for workers and employees. On August 16, 1920, tariffs for passenger and freight transport by rail and water were abolished. In principle it was decided that foodstuffs supplied by the People's Commissariat for Food should also be free of charge.

But the measures enacted by the authorities did not do away with the market by legally abolishing it, they only made it illegal. Since small-scale commodity production continued to exist in towns and villages, exchange of commodities also persisted and assumed distorted forms such as black market dealings, huckstering etc. It was correctly stated later by a researcher into this period: "War Communism, having used up huge forces in the fight against the inherited and unlimited commercial speculation, did not liquidate this, but drove it as a heavy spear into the heart of the revolutionary country... The 'natural' collections and 'natural' allocations slipped on the surface of people's production and people's consumption. The problem of commodity turnover had been only partially solved. Everything else was sucked away by the 'Sukharevka' (the popular name for the huge market on Sukharev Square in Moscow, now Kolkhoz Square. – L. Sz.)."<sup>18</sup> In spite of strict government regulations, the free market (as a matter of fact: black market) played a determining role in the supply of the urban population. Every writing dealing with this era – including fiction – gives a vivid picture of barter trade, of 'huckstering'. In this activity practically the whole population par-

<sup>17</sup> Quoted by L.N. Yurovsky: *op. cit.* p. 61.

<sup>18</sup> S.S. Zak: *Tovarooborot i trgovaya set' v Rossiyskoi imperii i v SSSR. Planovoe Khozyaistvo*, 1927, No. 11, p. 95.



ticipated, or at least enjoyed its results. In periods of gravest difficulty with public supply the government itself felt constrained to allow workers individually to procure definite amounts of food in the countryside.<sup>19</sup>

About the role of the illegal market in supplying the population many and, obviously, rather different surveys and estimates have been made.

According to a survey made in 1919 foodstuffs procured outside the rationing system and the co-operative shop network had the following weight in the consumption of the urban population:

*Percentage share of free-market procurement in the consumption of urban worker and other families in 1919*

Article	March-April		July		December	
	worker	other	worker	other	worker	other
Bread	48.5	52.5	44.0	46.8	32.8	33.2
Mush	75.8	81.0	86.3	89.1	73.8	70.9
Potatoes	95.5	96.7	..	..	..	..
Flour	..	..	75.8	78.8	62.4	59.8

Source: *Statistichesky Ezhegodnik, 1918-20*, Part I, pp. 8, 16, 24-25. Quoted by S.S. Zak: *op.cit.*, pp. 95-96.

According to Professor Falkner, the ration constituted the following part of food consumption:

*Percentage weight of the calorific value of the ration in the consumption of the urban population; monthly averages*

Period	Province centres	District centres
January 1919	19	27
April	31	32
June	22	20
October	21	19
January 1920	20	24
April	29	25

Source: S. A. Falkner: *Problemy teorii i praktiki emissionnogo khozyaistva*. Moscow, 1924. p. 152.

Thus, according to this estimate, the calorific value of the State food allocation did not amount to even one third of the total consumption of the urban population. Obviously, the rest had to be procured mostly from the black market. Nor is this contradicted by a calculation made by Academician Strumilin in those times, according to which 'natural' allocation by the State – inclusive of housing and other needs – covered 41 per cent of total consumption of workers in central Russia in 1918, 63 per cent in 1919, and 75 per cent in 1920.<sup>20</sup> This applied, however, to urban workers who were relatively few in number; that is, to the class most favoured by the State. It may be safely assumed that the black market played a much greater role in the supply of other urban strata. All this seems to indicate that the 'defetishization' of economic life, the obliteration of market relations, in reality hardly scratched the surface.

This duality manifested itself also in the fact that while the Soviet State practically abolished commodity relations within the State sector, it resorted to emission of money to cover its expenses on the – legally non-existent – free market. This phenomenon is most appropriately illustrated by Lev Kritsman, one of the main economic leaders of the period: "as soon as the products destined for productive and personal consumption came to be distributed free of charge, as soon as transport, housing, public utilities, in one word, the satisfaction of every need became free, if satisfied by State organs (that is, the proletarian-natural organization of the economy), the emission of money turned into supply with means of purchase, with which the proletarian State supplied its own economic and other organizations and its own workers to make purchases on the illegal market, abolished by the same State. Under the conditions of a proletarian-natural economy without money, emission could have no other meaning whatsoever. The money supplied by the State to its organizations and workers could not be used within the framework of the economy without money, only outside it. The emission of money was a legal navel-string connecting the official proletarian-natural economy with the underground commodity and commodity-capitalistic, illegal market."<sup>21</sup>

As a matter of fact, the State could not renounce this market. True, the continuing process of 'naturalization' of the economy narrowed the market and, accordingly, also the sphere of money circulation; but the war could not be 'financed' exclusively by means afforded by the compulsory delivery of surpluses and by nationalized industry. Money was needed to enable public authorities to perform their duties, for the operation of industry and the railways. Since the tax offices had been dissolved, the system of taxation ceased to function, and the activity of State enterprises was carried on – as we have seen – in 'naturalized' form, the only

<sup>19</sup> A resolution was, e.g. adopted by the Moscow Soviet on Aug. 24, 1918 and by the Petrograd Soviet on Sept. 5, in view of the grave supply situation in both towns, whereby it was allowable for workers in these towns to procure freely one and a half poods (= 54 lb.) of food from the provinces. (The order then in force, dated Aug. 6, 1918 set the limit on per capita free procurable food at 20 Russian pounds, equal to 18 lb. av.) The Supreme Council for National Economy limited the validity of the exceptional measure to Oct. 1, 1918, and then extended it up to Oct. 10. – See the editorial notes to Vol. XXIII of the 3rd (Russian) edition of V.I. Lenin: *Sochineniya*. Moscow, 1935, pp. 543 and 590.

<sup>20</sup> Quoted by L. Kritsman: *op. cit.* (in Note 2) p. 118.

<sup>21</sup> *Ibid.* pp. 122-123.



source of money being the printing of banknotes. Emission of money enabled the state to procure products of substantial, though diminishing, value through the mediation of the free – mainly rural – market. This is shown by the following estimate:

*The value of products extracted from agriculture  
(million gold roubles)*

Year	Through delivery of agricultural surpluses	Through emission of money
1918/19	127	523
1919/20	253	390
1920/21	451	200

Source: E. Preobrazhensky: *Finansy v epokhu diktatury proletariata*. Moscow, 1921, p. 28.

Resort to this source of financing, however, strengthened even more the tendency towards 'naturalization' of the economy.

This can be well traced through the fate of the banking and credit system. One of the first measures of the Soviet system was – as is known – the nationalization of the private banks. By a decree of December 14, 1917, private banks were merged into the central State Bank, and from their union the uniform People's Bank was created. Nationalization was a revolutionary act, its purpose being to break the economic power of the capitalist class, to prevent transfer of capital and other hostile actions, to create the economic foundations of the proletarian State. Under such economic conditions, however, the functions of the banking system not only changed but inevitably withered away. Only one of the functions of the earlier State Bank survived (and thus became exclusive): the emission of banknotes. And even this function was formal: as to its substance it consisted simply of the emission of fiscal paper money. And since this provided practically the only cover for all government expenditures, the financial organization of the State Budget became superfluous and died away: it amalgamated with the People's Bank.

(This process took place as follows: at the end of 1918 the State Credit Office and the Issuing Office of State Paper were transferred from the People's Commissariat for Finance to the People's Bank. In 1919 a Budget Department was set up within the People's Bank, its task consisting of drawing up the State Budget. The bank took over all functions of the earlier Ministry for Finance since the Central Office for Revenues and Expenditure was also transferred to it. Thereby, however, the People's Bank also gave up its proper role as a bank, since it practically ceased granting credit except for small amounts to co-operatives. It was a logical step also formally to abolish the People's Bank and to amalgamate it with the People's Commissariat for Finance under the name of the Budgetary and Accounting Department by a government decree of January 19, 1920.)

But the use of money emission as almost the only source of financing (in monetary form) destroyed its own foundations, since accelerating inflation robbed the

ever-increasing amount of money issued of its value. The following figures will give some idea of the degree of inflation:<sup>22</sup>

On July 1st, 1914, that is before the First World War broke out, the money in circulation was 1630.4 million roubles. During the war the Tsarist government printed about 8500 million, and the Temporary Government another 9500 million during its eight months of existence. Thus, on November 1st, 1917, the money in circulation was 19,578 million roubles, soaring to 27,650 million by January 1st, 1918. From then on the rate of emission kept on accelerating, and money in circulation increased on a monthly average by 6.9 per cent in 1918, by 11.5 per cent in 1919 and by 14.7 per cent in 1920. On July 1st, 1921, the money in circulation was 2,347,164 million roubles – an incredible amount in those times. (The history of the 20th century has produced the manifold of this since then.) Owing to shrinking production, to the growing 'naturalization' of the economy and to the dwindling of the sphere of monetary economy, the growth in prices was much quicker than the growth of money in circulation. During the three and a half years in question the volume of money increased 100-fold but prices 8000-fold! In such conditions the volume of money in circulation represented an ever smaller value. According to national labour statistics, the value of the money in circulation was as follows (million roubles, at unchanged consumer prices):

Nov. 1. 1917	1919.4
Jan. 1. 1918	1331.9
Jul. 1. 1918	493.6
Jan. 1. 1919	379.3
Jul. 1. 1919	154.0
Jan. 1. 1920	93.0
Jul. 1. 1920	62.9
Jan. 1. 1921	69.6
Jul. 1. 1921	29.1

Thus, by mid-1921 the value of money had fallen to such an extent that the task of liquidating monetary economy was almost solved. Necessarily, also the emission of money brought less and less into the budget. The monthly averages, similarly calculated at unchanged consumer prices, were as follows (million roubles):

Nov.–Dec. 1917	287.7
First half 1918	62.3
Second half 1918	27.1
First half 1919	19.3
Second half 1919	18.1
First half 1920	10.1
Second half 1920	10.2
First half 1921	5.6

In June 1921, the yield of monetary emission was quite negligible: 3, 149, 500 roubles. It may be justly assumed that this amount of 3 million did not even cover

<sup>22</sup> The data on money circulation are derived from L.N. Yurovsky's book quoted (in Note 9), pp. 71–75.



the cost of printing and transporting money. (At the beginning of 1921 the amounts of money were already being printed at five places: Moscow, Petrograd, Pensa, Perm and Rostov and 13,616 people were employed in printing money.) In view of this, the maintenance of monetary circulation – this last remnant of commodity and money relations – seemed indeed to be nonsensical.

Thus, the system of War Communism had its own logic. Its main features outline a model of the centralized directive system of planned economy in its purest historical form ever implemented. (Let us remember that since then not even the most rigidly centralized mechanisms have abolished monetary economy or – apart from war and other extraordinary circumstances – the free movement of labour.) The history of its short existence of three years – amidst incessant change and modification – does not, however, yield a satisfactory reply to the initial question: was War Communism really brought about by the requirements of war economy alone, and did its founders really conceive it as a temporary, a historical *détour*?

## CHAPTER II

### THE IDEOLOGY OF WAR COMMUNISM

Did War Communism possess an ideology of its own?

The extremely hectic revolutionary period hardly enabled its protagonists to bequeath their economic and social theorems to us in a carefully elaborated framework and to expound them in polished treatises. The literary product of the era consists of articles in newspapers and periodicals, of speeches, decrees and a few thin brochures. Therefore any attempt at a systematization of the views, frequently just hints, contained in them implies a risk of arbitrary distortion and misinterpretation. Another difficulty we have to face is that it is hard to distinguish the ideas of the era from views of socialists, Marxists professed in preceding decades. In this sense War Communism did not bring any new ideas. Nevertheless, War Communism had its own particular – though not original – ideology, an image and operational concept of a socialist economy to be built up, which they attempted to put into practice. A detailed investigation of this concept is bound to be instructive even today.

### THE THEORETICAL ANTECEDENTS

Obviously, the founders of scientific socialism did not and could not work out the functioning principles and methods of the economic system governing the socialist society to come. Scientific socialism has, accordingly, parted with the theories of the utopian socialists by dispensing with their description of the future society – however colourful and captivating and, in places, ingeniously prophetic it may be and instead aimed at disclosure of the rules of social progress, and, within that, particularly of capitalist society. Speaking about his method, Marx strongly emphasized that an understanding of the more advanced social formation offers insight into the productive relations of earlier social formations but not conversely. Marx's saying that "in the anatomy of man we find a key to the anatomy of the monkey" is frequently quoted, but the consequences are often forgotten, although later Marx clearly expressed what he had in mind: "The indications of a higher order in the lower-order animal species are understood, however, only if the higher order itself is already known."<sup>1</sup>

Thus Marx and Engels refrained from conjectures about a future society, nor did they propound any concrete programme for the building up of socialism. Marx's references to a socialist society were born either in the course of analysing capitalism or as a negation of capitalist productive relations, as it were, or were ex-

<sup>1</sup> K. Marx: *Grundrisse der Kritik der politischen Ökonomie* (Rohentwurf), Dietz Verlag, Berlin, 1953, p. 26.



pounded in polemics with the views of others. It is known that, according to Marx and Engels, commodity production will cease in socialism because society will account social work directly – without the mediation of the market –, will deliberately allocate the available forces of production according to plan, in compliance with the needs of society. Does it follow that a system of production-control best conforming to socialist economy demands a strict central allocation of means of production, labour and consumer goods in natural form? We can agree with the answer given to this question by Professor Brus: “Insofar as we disregard their reservations (namely, the reservations of Marx and Engels – *L.Sz.*) on the possibility of scientifically determining the forms of future socialist economy, and draw conclusions from their fragmentary declarations about the subject – we may answer in the affirmative. At any rate, in the works of the creators of scientific socialism it is relatively easy to find such formulations as will confirm these interpretations, but we cannot find any contrary statements, e.g., such as put into the foreground the use of market forms.”<sup>2</sup> Yet Marx and Engels refrained from formulations according to which the liquidation of commodity exchange and monetary economy would be an *immediate* task of the socialist revolution. Marx and Engels could witness a single proletarian revolution only: the Paris Commune, but no references can be found in their analyses that the Commune should have started to create an economy without money, to ‘naturalize’ economic life. On the contrary: they thought it was a mistake of the Commune not to have taken over and utilized the Banque de France for their purposes, while they praised the measures taken by the proletarian government to settle taxation, credit and wage problems.

In one place in *Capital*, dealing with the theory of Adam Smith, Marx observes: “It is never the original thinkers that draw the absurd conclusions. They leave that to the Says and MacCullochs.”<sup>3</sup> This is true, to a certain extent, also for Marxian theory. Be it the cessation of commodity production after the socialist revolution, or the situation of the working class in capitalism, or the interrelation between the victory of the proletarian revolution and the degree of development of productive forces – Marx never drew absurd conclusions. But his followers did, above all the leaders of the German Social Democrats, when starting to mould the Marxian theory into concrete programmes of action. As a matter of fact, the simplifying, sometimes vulgarizing conception of the Marxian theory, adapting it to the needs of party propaganda, started in the eighties – nineties of the last century. Maybe, the details of the future society mingled with utopistic elements and the rigidifying of these details into dogmas were thought of as counterbalance and disguise – perhaps even to the leaders of Social Democracy – integration into capitalist society and a lapsing of the perspectives of socialist revolution into the misty future. This was how also the view that socialist economy excludes market relations and realizes a ‘natural’ economy has become a dogma. In various refined forms, this dogma ruled in Marxist political economy for over half a century and caused extremely great damage to the development of socialist economy.

Let us examine, e.g., how this problem was discussed in the programme of the German Social Democratic Party adopted in 1891, in Erfurt, and in its official

<sup>2</sup> W. Brus: *op. cit.* p. 40.

<sup>3</sup> K. Marx: *Capital*. Vol. II. Foreign Language Publishing House, Moscow, 1961, p. 394.

commentary, written by the author of the programme, the ‘orthodox Marxist’ Karl Kautsky. (We warn readers not to think that now we are deviating a long way from our subject: the ideology of German Social Democracy had a determining influence for decades on the labour movements of other countries, and their ties were particularly close with the Russian labour movement.)

Well, in the chapter on the ‘State of the future’ of his book Kautsky quotes from the fifth paragraph of the Erfurt Programme: “Only the passing of the means of production – land, mines, raw materials, tools, machines, means of transport – from capitalist ownership into social ownership *and* the transformation of commodity production into socialist production, carried on for society and by society, can achieve that the large-scale plant and the ever growing productive capacity of social labour turn from a source of misery and oppression into a source of the highest welfare and manysided, harmonious completion for the hitherto exploited classes.”<sup>4</sup> In this rather verbose formulation of the substance of socialist transformation the conjunction *and* italicized by us qualifies the liquidation of commodity production as a task of equal rank with the changing of ownership relations. Thus far, the two tasks may seem to be a tautology, since it is superfluous separately to emphasize the liquidation of commodity production and the victory of socialist ownership relations – at least according to the then prevailing conception, for one of its premises was the indivisibility of private ownership and commodity production.<sup>5</sup> But, as will turn out from the subsequent explanation by Kautsky, there is more to it: socialist production must become a self-sufficient, closed, autarkic economy. “Socialist production which, owing to the approaching failure of commodity production, has become necessary today, – writes Kautsky – will and must have much in common with the older forms of communistic production as regards its fundamental features, since, like the latter, the former is nothing else but co-operative production carried on for self-support.”<sup>6</sup>

This self-sufficient production will, of course, as emphasized also by Kautsky, not evolve on the development level of primeval communities, but precisely on the basis of the increasing capitalist concentration of production, leading thus to the “approaching failure of commodity production.” (It is worth drawing the parallel: with Marx the concentration and centralization of capital leads to the “expropriation of expropriators”.) Let us remember this idea of the “self-liquidation” of commodity production: it will recur many times in the writings of Kautsky and Hilferding on imperialism, emerging also in Western academic circles of our day through the activity of John Kenneth Galbraith.

Socialism will – according to Kautsky – only enhance this tendency: “... socialist production requires the *aggregation into a single large association* of all plants which, according to the existing state of production, are necessary to satisfy the essential needs of society... We have seen... how this is being already prepared by economic development today through an increasing amalgamation of capitalist companies in the hands of a few firms.”<sup>7</sup> But how large should such an

<sup>4</sup> K. Kautsky: *Das Erfurter Programm*. Dietz-Vorwärts, Stuttgart-Berlin, 1922, p. 100.

<sup>5</sup> See, e.g., at the same place: “Commodity production and the private ownership of the means of production are most intrinsically correlated. Commodity production presupposes the existence of private ownership and thwarts every attempt at its elimination.” K. Kautsky: *op. cit.* p. 109.

<sup>6</sup> *Ibid.* p. 112.

<sup>7</sup> *Ibid.* p. 113.



autarkic (*sich selbst genügend*) association be? – asks Kautsky. In his opinion, the answer will be given by the increasing division of labour, by the growing concentration of production: “An association that wants to cover its needs itself and to comprise all plants that are indispensable for satisfying these needs, must be of quite different dimensions from the phalansteries and socialist settlements at the beginning of the last century. Of the social organizations existing today there is only a *single one* which is of the necessary dimensions to serve as a framework for developing socialist society, and this is the *modern State*. – In fact, individual plants are of such huge dimensions, and the economic relations among different capitalist nations are so intrinsic, that one almost has reason to doubt whether the framework of even a State is sufficient to cover socialist association.”<sup>8</sup> Thus Kautsky mechanically transfers the undoubtedly production-concentrating tendency of the development of productive forces to the management of the socialist economy, and the vision of one State – one enterprise is born. As a matter of fact, he formulates this in these terms in another passage: “Just as in large industrial enterprises production and wage payment are carefully weighed and planfully arranged, this must be so also in a socialist society, which is nothing else but a single huge industrial plant.”<sup>9</sup>

It would seem that this vision does not yet contradict Marx’s “community of free individuals carrying on their work with the means of production in common in which the labour power of all the different individuals is consciously applied as the combined labour power of the community”,<sup>10</sup> – but it is not equal to it either. This will be clear from further reasoning when Kautsky has already drawn absurd conclusions. According to him, with the expansion of self-sufficient associations in socialism international exchange of commodities and even international contacts (*Verkehr*) in general will be reduced to a minimum. Accordingly, the tendency towards expansion of the division of labour, and of the development of productive forces, would turn into its opposite!

Let us see how Kautsky argues: “The present extent of international contacts is determined not so much by existing productive relations as by those of exploitation. The wider capitalist production is spread in a country, and the greater the exploitation of the working class thereby induced, the greater is usually the surplus product that cannot be consumed within the country itself and which must accordingly be exported.”<sup>11</sup> (A brilliant argument from a disciple of Marx, but unfortunately it is not original: it derives from Malthus and Sismondi!) As a consequence, the abolition of capitalist exploitation implies a ‘strong reduction’ in turnover between countries. But Kautsky obviously felt that he had blundered and introduced a restriction which, however, makes the doctrinaire-character of his reasoning even more conspicuous. He writes as follows: “Of course, these contacts between individual States cannot fully disappear. The division of labour has advanced so far and the area needed by individual huge plants for placing their products has become so large, on the one hand, and the development of international contacts has evoked so many needs in modern States which now belong to the indispens-

able ones and can only be satisfied by imports from other countries – e.g. the European demand for coffee – on the other hand, that it now seems impossible to reach a situation in which individual socialist associations – even if they are of the dimension of a State – satisfy all their needs with their own production themselves. Therefore, at least initially, a certain amount of exchange of commodities must be maintained between individual associations. But this will not endanger their economic independence and safety, if they themselves produce everything *necessary* and only exchange *surpluses* with each other as was done by ancient peasant families at the beginning of commodity production.”<sup>12</sup> Such a retrograde approach to international division of labour has not been professed by any serious economist since Adam Smith, least of all by Marx. (It is, however, a fact that this kind of ‘Marxist’ approach was also looming for several decades behind the autarkic development concepts of socialist economy – mostly in unspoken form.)

After all this, it is not surprising that, in discussing actual ways of transition to socialism, Kautsky should attribute such a great importance to the ‘naturalization’ of economic relations. For example, he characterizes the changed position of small commodity producers (artisans, small peasants) in the following manner: “Since socialist society involves a tendency to replace commodity production by production for immediate use, ... it must necessarily comprise also efforts to transform every service to be supplied to society, taxes or the possible interest on mortgage taken into social ownership – provided they have not been entirely abolished – from *money services* into *services in kind* (cereals, wine, livestock, etc.). This would be a great facility for the peasantry. (?) Even today many efforts are made in this direction. But this is impossible under the rule of commodity production. Only socialist society can introduce it and abolish thereby one of the major causes of the ruin of peasant farms.”<sup>13</sup>

Summing up the conception of the German Social Democrats at the end of the last century, the following conclusions can be drawn: (1) they considered it as an axiom that commodity production was incompatible with socialism and regarded its liquidation as one of the tasks of the proletarian revolution; (2) they interpreted socialist economy as a centrally controlled, closed, self-sufficient industrial plant; (3) they held that the ‘naturalization’ of economic relations was indispensable already in the period of transition to socialism.

For the sake of historical truth, however, we must mention that later Kautsky’s ideas underwent a change. In the second part of his other famous work, *The social revolution*, written a decade later, in 1902, while analysing the tasks after the revolution, he unequivocally states that it is impossible that social revolution should immediately discard money. But why? Let us quote it word for word: “Money is the hitherto best known simplest means of permitting the turnover of products and their allocation to the individual members of society to take place in as complicated a machinery as is – with its infinitely developed division of labour – the modern mode of production; money is the means of enabling everybody to satisfy his needs according to his individual inclination (of course, within the limits of his economic power). Money as a means of turnover will be indispensable as long as

<sup>8</sup> *Ibid.* pp. 114–115.

<sup>9</sup> *Ibid.* p. 151.

<sup>10</sup> K. Marx: *Capital*. Vol. I. Foreign Language Publishing House, Moscow, 1961, p. 79.

<sup>11</sup> K. Kautsky: *op. cit.* p. 115.

<sup>12</sup> *Ibid.* p. 116.

<sup>13</sup> *Ibid.* pp. 145–146. (Italics in the original.)



no better one is found. Of course, it will lose several of its functions, at least in domestic turnover, above all its role as a *measure of value*.<sup>14</sup>

And what happens to value and the law of value? "Under the social ownership of means of production it will be superseded by the social regulation of production. The necessity for regulating production through exchange of equal values will cease. Together with it, the necessity for money as a measure of value and an object of value will also cease. Metallic money can be replaced by any kind of money token. The price of products can now be established independently of their value. But the labour-time inherent in them will always have a decisive importance in setting their prices which, in this respect, will obviously be derived from historically traditional prices."<sup>15</sup>

This standpoint reveals much greater sense of reality, but its theoretical basis is all the more meagre. Why does money remain? Because nothing better has been found. Products have prices, but no value, or they also have a value but this must be found somewhere in the historical past. In a word, if I so wish it, the product is a commodity; if not, it is not (although the notion of commodity and commodity production does not even appear in this work of Kautsky). If Kautsky's earlier views showed many common features – as we shall see – with the ideology of War Communism, his later arguments remind us, as regards both their level and their content, mostly of the pragmatic-eclectic 'theories' of the forties and fifties.

This train of thought is repeated – at much greater length – in his later work: *The proletarian revolution and its programme* (1922).<sup>16</sup> It is a merit of Kautsky that he very definitely criticizes here the views mushrooming on the soil of the 'war socialism' of the World War, in the works of Otto Neurath and others, according to whom socialism would be equal to 'natural' economy without money. Unfortunately, however, his book has little to offer theoretically since he does not even raise the problem of commodity economy, and ascribes the necessity for monetary economy to the technical requirements of turnover, to the satisfaction of the differentiated needs of people, etc. In elaborating his new ideas he did not perform any theoretical criticism of his old categories.

#### TERMINATION OF COMMODITY PRODUCTION THEORETICALLY EXPLAINED

Let us examine, after this digression, the peculiar features of the ideology of War Communism in the stricter sense. We shall rely on *The economics of the transition period* by Nikolai Ivanovich Bukharin.<sup>17</sup> Our choice has been a forced one – no other contemporary work matches it, as regards either intellectual standards or size – but it is by no means unwanted: the book published in early 1920 summarized 'à jour' the relevant Russian and foreign literature of those years. (And it did this on a very broad scale indeed, ranging from *The Economic Conse-*

<sup>14</sup> K. Kautsky: *Die Soziale Revolution*. Vorwärts. Berlin, 1906, p. 81.

<sup>15</sup> *Ibid.* p. 83.

<sup>16</sup> K. Kautsky: *Die proletarische Revolution und ihr Programm*. Dietz, Berlin-Stuttgart, 1922, p. 340.

<sup>17</sup> N. Bukharin: *Ekonomika perekhodnogo perioda*. Chast' I: Obshchaya teoriya transformatsionnogo protsesssa. Gosudarstvennoe Izdatel'stvo, Moscow, 1920, 157 p.

*quences of the Peace* by J.M. Keynes to the Hungarian Gy. Hevesi's book published in Vienna in 1919: *Die technische und wirtschaftliche Notwendigkeit der kommunistischen Weltrevolution*.) Thus, it serves as a really authentic source on the then prevailing ideas of Russian (and foreign) communists. The book is particularly valuable because Lenin's critical marginal notes to it have been preserved, allowing us to confront the views of Bukharin with those of Lenin.

Analysing the transition from capitalism to socialism, Bukharin emphasizes at the outset that political economy as a discipline will cease together with commodity production. Referring to Marx (but not quoting him), he alleges that theoretical economy is a historically limited discipline. "Indeed – writes Bukharin – once we take an organized social economy, all major 'problems' of political economy immediately disappear: those of value, price, profits, etc. Here the 'relations between people' are not expressed in 'relations between things' and social economy is regulated not by the blind forces of the market and competition, but by a deliberately implemented plan."<sup>18</sup>

We do not want to reflect now on the common fate of political economy and commodity production. (About this thesis of Bukharin's and others five years later a high-standard discussion emerged that would deserve a separate study.) It is now much more interesting to us that, in the first chapter devoted to the structure of world capitalism, the author seems to separate the fate of commodity production from that of capitalism – identifying as it does, the spread of State monopoly capitalism with the liquidation of commodity production. (This idea can be found elsewhere also in Kautsky and Hilferding.) He writes as follows: "Now the question arises what are, indeed, the consciously operating parts of capitalist world economy. Theoretically, world capitalism is conceivable as a system of individual private enterprises. Yet the structure of contemporary capitalism is such that what appear as economic subjects are the collective-capitalist organizations – 'State-capitalistic trusts'. – Within the major capitalist countries, *finance capital* has liquidated the anarchy of production. The monopolistic associations of entrepreneurs, combined enterprises and the penetration of bank capital into industry have created a new type of relations of production by turning the unorganized commodity-producing capitalist system into a *finance-capitalistic organization*. The unorganized relations between enterprises asserting themselves through transactions of purchase and sale have, to a considerable extent, been replaced by organized relations, developing by means of 'controlling shares', 'participation' and 'financing', personified by the common '*Dirigenten*' of the banks, industry, concerns and trusts. Therefore, exchange relations reflecting the *social* division of labour and the breaking up of social productive organization into autonomous capitalistic 'enterprises' is replaced by a *technical* division of labour within the organized 'national economy'."<sup>19</sup>

Later Bukharin formulated this idea in much clearer terms. "The capitalist 'national economy' has turned from an *irrational system* into a *rational organization*, from an economy without a subject into an economic subject managing itself. This change is due to the growth of finance capital and the increasing amalgamation of the economic and political organization of the bourgeoisie. However, neither the

<sup>18</sup> *Ibid.* p. 7.

<sup>19</sup> *Ibid.* pp. 10–11.



general anarchy of capitalist production, nor competition between capitalist commodity producers has disappeared. These phenomena have not only persisted, but have become deeper, reproducing themselves in the framework of *world* economy. The system of *world* economy is just as blind, irrational and 'without a subject' as was the old system of *national* economy. – Nor does *commodity* economy disappear here finally, although within a country it either withers away or strongly dwindles, being replaced by organized allocation. The commodity market only turns into a real *world* market, but ceases to exist as a 'national' one. Here the same process can be observed as takes place when two or more independent enterprises amalgamate into a combined whole, when the raw material is processed into semi-finished and then into finished product, but the flow of products is not accompanied by an opposite flow of the monetary equivalent: *within* the combined enterprise 'economic goods' circulate not as commodities but as products, and become commodities only insofar as they are pushed beyond the frontiers of the combined whole. Similarly, the product allocated within a country in an organized manner is a commodity insofar as its existence is linked to the existence of the world market. The difference in comparison with the national economy consists only in the size of the economic system and in the nature of its components."<sup>20</sup>

In the building up of the organization of State-monopolistic war economy during World War I and in the growing centralization of surplus value by the State Bukharin correctly perceived a modification of capitalist relations of production. But he attributes a specific trend to this process. As he writes: "The mathematical limit to this trend is the transformation of the whole 'national economy' into an absolute monolithic *combined trust* in which all individual 'enterprises' would cease to exist and would be turned into mere workshops, into *divisions* of the trust, within which, as a consequence, the *social* division of labour would change into the *technical* division of labour and the whole economy would become an absolutely homogeneous enterprise of the relevant *group of world bourgeoisie*."<sup>21</sup>

In summary of his analysis of the entire process, Bukharin emphasizes: "Thus, the reorganization of the relations of production of finance capitalism proceeded towards a universal State-capitalistic organization, towards liquidating the commodity market, turning money into an accounting unit, organizing production on a national scale and subordinating the whole 'national economic' mechanism to the aims of world-wide competition, that is, above all, of war."<sup>22</sup>

It is not difficult to see that Bukharin repeats his theses on 'pure imperialism', defended in the discussion of the programme of the Bolshevik Party in 1917–19. (As against Lenin, Bukharin then alleged that in the age of imperialism small commodity producers and non-monopolistic capitalists would disappear and, therefore, there would be no market competition in the old sense. Thus, the denial of the existence of simple commodity production led Bukharin to the denial of commodity production in general). The theory of 'pure imperialism' has so often been criticized in the course of the past half century that – after the scholastic battles fought regardless of time and space – it would seem that nothing has remained

<sup>20</sup> *Ibid.* pp. 14–15.

<sup>21</sup> *Ibid.* p. 30.

<sup>22</sup> *Ibid.* p. 34.

of it but dry bones. Still the only topical bearing on the subject seems to have got lost.

From the excerpts quoted above it may be seen that Bukharin (like many others) considered the establishment of State-monopolistic war economy as an irreversible process of absolute validity which – in the framework of capitalism – necessarily liquidates the market, abolishes money and turns the whole economy into a 'combined trust'. This was, naturally, a hasty conclusion. It has not materialized even half a century later, at a much higher level of development of the forces of production. However, the model of State-monopolistic war economy determined the model of socialist economy to be created as well. If, namely, we look upon the specific organization of war economy – serving non-economic objectives by non-economic methods – as a form (though a distorted one) of historical necessity,<sup>23</sup> then the specific features of this particular organization will become the embodiments of objective rules, and all that remains for socialism to do is to let these rules evolve to the fullest possible extent.

On reading Bukharin's book today, it is striking to note how far some characteristic features of war economy merged and were identified, in the currents of thought of those days, with the essential criteria of socialist economy. Two of these can be traced right through the book: (a) after the proletarian revolution economic relations must turn into 'naturalized' ones; (b) until proletarian consciousness develops, the main tool of organizing and controlling the socialist economy is force, coercion by the State. Let us have a closer look at these theses.

#### THE NECESSARY 'NATURALIZATION' OF ECONOMIC RELATIONS

The necessary 'naturalization' of economic relations organically followed from the interpretation of commodity and money relations as categories of capitalist economy alone. Bukharin devoted a separate chapter to what should happen to commodity and money categories after the socialist revolution. (Co-author of the chapter was G. Pyatakov.) His reasoning runs as follows:

The category of *commodity* assumes the existence of social division of labour and the lack of conscious regulation of economic processes. Thus, as a general category, commodity can only exist if the framework of production is anarchic: "As soon as the irrationality of the production process disappears, that is, as soon as instinctive elements are replaced by a conscious social regulator, the commodity turns into product and loses its commodity-character."<sup>24</sup> The *law of value* is the equilibrium law of anarchic commodity production. Since in the period of transition commodity production largely vanishes, the law of value loses its validity.

<sup>23</sup> "It is an objective necessity, put on the agenda by history, to organize the world economy, that is, to turn the world economic system *without a subject* into an economic *subject* managing itself, into a planfully operating organization, a 'teleological unity', into an *organized* system. Imperialism tried to solve this task with its own methods... But the solution of this problem was beyond the capacity of imperialism, and the war crisis has led to the crisis of the whole system. But, within the *narrow* limits of individual state-monopolistic trusts, the first period of the war was the period of the internal *reorganization* of capitalist productive relations towards planning..." *Ibid.* pp. 27–28.

<sup>24</sup> *Ibid.* p. 134.



It is interesting to read Bukharin's reasoning about the fate of *prices*. His starting point is that price, on the one hand, does not necessarily coincide with value even under capitalism, while, on the other hand, it may be the imaginary form of value of commodities which have no value (as e.g. the price of land). If price becomes entirely detached from value, it becomes an imaginary form. And "in the period of transition, the case of imaginary form inevitably comes close to the typical one".<sup>25</sup>

According to Bukharin, the fate of *money* will be the same: "Money is the material-social link, the node that knits together the entire developed system of *commodity* production. Understandably, in the period of transition, in the process of destroying the commodity system as such, the process of money's 'self-denial' will also take place. This finds its expression, firstly, in the so-called 'depreciation of money' and, secondly, in the fact that the distribution of money-tokens detaches itself from the distribution of products, and *vice versa*. Money ceases to be a universal equivalent and becomes a conditional token – and very imperfect one, at that – of product turnover."<sup>26</sup>

*Wage* also becomes an imaginary magnitude devoid of content, since in a socialized production there is no place for wage-labour, and for wages either. "Only the outer shell of wages will remain, – writes Bukharin – the money-form which proceeds towards its own self-liquidation together with the monetary system. In the system of the dictatorship of the proletariat the 'worker' obtains not wages but social work allotment (obshchestvenno-trudovoi payok)."<sup>27</sup>

Here is Bukharin's final conclusion: "Generally speaking, one of the main tendencies of the period of transition is the *rupture of commodity-fetishistic shells*. With the growing social-natural system of economic relations, the corresponding ideological categories will also burst. If this holds true the necessity arises for the theory of economic process to switch over to a natural-economic type of reasoning, that is, to an approach looking upon society and its parts as a system of elements in their natural form."<sup>28</sup>

But even Bukharin's book contains indications that economic reality does not obediently conform to theoretical dogmas. In the above reasoning on prices we have seen that certain categories – though in an imaginary form – perhaps subsist also in a socialist economy. Similarly to Kautsky, Bukharin is unable as yet to give a theoretical explanation of the phenomenon, but registers – in a captivating way – the contradiction between reality and theory: "At the very first serious attempt to grasp, in a really scientific manner, this restless concrete phenomenon, called the economy of the period of transition we come up against the phenomenon that the old categories of political economy immediately break down. We come up against an interesting contradiction: the latter persist to become forms of the practical generalization of the constantly changing vigorous economic reality. At the same time, these categories offer no possibility whatsoever of penetrating behind the 'surface of phenomena', that is, of discarding vulgar reasoning and grasping the economic process in its entirety and in its evolution. And this is understandable. In reality, the elementary relations of which such categories as com-

<sup>25</sup> *Ibid.* p. 135.

<sup>26</sup> *Ibid.*

<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.* p. 136.

modity, price, wage, profits, etc. are the ideological expressions, do and do not exist, at the same time. They do not exist, but in such a way as though they were existent, and do exist in such a way as though they were non-existent. They subsist in some queer, ghostly realistic and realistically ghostly manner, as the souls of the dead in ancient Slav imagination or as the pagan gods in pious Christian religion. Accordingly, the old and tested arms of Marxist ideas which had been forged by Marx on the basis of the very realistic existence of the corresponding relations of production, begin to fail. In everyday practice, however, they are still uncritically considered the tools for acquiring real understanding of the phenomena of economic life."<sup>29</sup>

But sparkling as this formulation is, it does not convince us of the unfitnes of the 'old and tested' tools of Marxian analysis to be used under new conditions. This impression is only strengthened by the concrete example quoted by Bukharin to illustrate his statement. He mentions a study, published in 1919, on the evolution of the costs of railway transport (computed, of course, in roubles) in the preceding decade. "Can we use the rouble as a unit of measurement?" – asks Bukharin. – "... What do these figures tell if the regulating role of the market disappears? But the market has not quite disappeared: *partly*, the 'free market' and 'free prices' do exist; *partly*, there are 'fixed prices'; and *partly*, resources are obtained 'free of charge'. But this is not the whole story. What do these figures tell if many articles *cannot be had at all* in additional quantities, that is, if money value becomes a magnitude absolutely void of content?"<sup>30</sup> With good economic instinct Bukharin here hits upon, and almost formulates, the real problem: whether to abolish monetary relations or the shortage of goods? But his doctrinaire zeal still carries him away and, as we have seen, he advocates the former, propounding quite naturally as follows: "When the proletariat seizes power, credit and money-type relations and those of a financial-capitalist nature will totally and finally break for ever. With the banks occupied, credit relations will burst and no 'credit-restoration' will be possible..."<sup>31</sup>

The reader of today is of course, fully justified in putting the question: to what extent do Bukharin's statements represent the thinking of Russian communists in those days, and to what extent was this ideology a guide to action in his time? After all, the aforementioned measures aiming at the 'naturalization' of economic life may also be considered as emergency solutions imposed by the momentary economic situation.

The answer will be unequivocal if we study other literary sources of those days. First of all, the programme of the Bolshevik Party, adopted in 1919, described in § 15 the abolition of money as a desirable and final aim: "In the first period of transition from capitalism to communism, when communist production and distribution of products are not yet fully organized, it is impossible to abolish money. Under such conditions, banknotes remaining in private ownership will continue to be used by bourgeois elements of the population for speculation, profiteering and the plundering of workers. Relying on the nationalization of banks, the Rus-

<sup>29</sup> *Ibid.* pp. 124–125.

<sup>30</sup> *Ibid.* pp. 125–126, footnote.

<sup>31</sup> *Ibid.* p. 79.



sian CP strives to introduce several measures to expand the scope of cashless clearing and to prepare for the abolition of money."<sup>32</sup>

From this angle, raging inflation does not appear as a necessary evil but as a possible way of liquidating money; indeed, for 'natural-economic type of reasoning' (the spread of which was so important in Bukharin's eyes) the state of money circulation is almost indifferent. This is beautifully 'explained' theoretically by Preobrazhensky: "The raising of the rate of exchange of paper money by every means available, or the boycotting of this money and its ejecting from circulation are a burning necessity for commodity economy. As opposed to this, the existential condition and requirement of evolving socialist society is not the raising of the exchange rate of paper but the increasing of P (product - *L.Sz.*) at the expense of C (commodity - *L.Sz.*). If the quantity of products flowing through the socialist allocating bodies reaches a large volume and this keeps on increasing, then, in order to secure the development of total production and, particularly, of its main leading detachment, the nationalized enterprises, it is incomparably more important to increase P than to raise the purchasing power of paper or its stable rate of exchange."<sup>33</sup>

Liquidation of money circulation - and thus, putting an end to inflation - was the unconcealed aim of economic policy.<sup>34</sup> As L. Obolensky (presumably N. Osinsky whose original name was V.V. Obolensky and who was manager of the State Bank for some time after the October Revolution and later the first chairman of the Supreme Council for National Economy) writes in an article of his: "Our financial policy has been aimed recently at building up a financial system based on the emission of paper money, the ultimate objective of which is the natural transition to distribution of goods without using money (at least within the country) and to transform the money tokens into accounting units. Thus, when introducing the system of cashless clearing, our financial policy does not wish thereby to restore the disorder of money circulation. Its main aim is to create normal conditions of exchange without money between parts of the uniform and mostly socialized national economy."<sup>35</sup>

The actual subject of Obolensky's article is a favourite idea of the period - which was economically naive even then - namely, that the extension of cashless clearing - the replacement of cash circulation by bank money - is almost identical with abolishing money circulation. We have seen that the quoted passage of the Party programme also emphasizes this presumed point, and not the real sense of the process: the rationalization of money circulation, its acceleration, the reduction of costs, strengthening of the controlling and regulating activities of the central bank, etc. However, the theoretical analytical experiment performed by the author to explain the cessation or the persistence of commodity and money rela-

<sup>32</sup> *Direktivy KPSS*, p. 127.

<sup>33</sup> E. Preobrazhensky: *Bumazhnye den'gi v epokhu proletarskoi diktatury*. Moscow, 1920, p. 39.

<sup>34</sup> As expressed by G. Sokol'nikov, People's Commissar for Finance, in 1922 at the XIth Congress of the Party, in looking back at the era of War Communism: "In our circles the view (which I personally have never supported) that the devaluation of money-tokens was precisely what we needed was very widespread. We said: if money is abolished, this is fine, since we are for the abolition of money." *Protokoly XI s'ezda RKP(b)*. Partizdat Tsk RKP(b), Moscow, 1936, p. 313.

<sup>35</sup> L. Obolensky: *Bezdenezhnye raschety i ikh rol v finansovom khoziaistve. Narodnoe Khoziaistvo*, 1920, Nos. 1-2, pp. 8-9.

tions is much more interesting. First he examines the State sector and says: "The nationalization of industry, as a fundamental step of our economic policy, has created a completely new and particular scheme of economic interrelations. The State is now almost the only supplier of commodities on the domestic market when it enters into direct relation with the consumer. Under such conditions there is no room whatever for monetary transactions in the old sense between individual parts of the national economic machinery. The exchange of commodities, produce, materials, products, etc. among State authorities is, as a matter of fact, nothing but an internal change of places among values, and the participation of money tokens therein loses all sense. It is self-evident that this change of place must necessarily be registered, but this ... can and must be performed by bookkeeping."

Obolensky indeed believes that bookkeeping instead of cash circulation is equal to the abolition of accounting in money terms and he does not even raise the question of the unit to be used in bookkeeping. His contemporary scholars were more consistent when discussing the methods to be used for accounting in an economy without money.<sup>36</sup> Although Obolensky's inconsistency may probably

<sup>36</sup> The discussion evolved in 1920 and early 1921 - perhaps the only one about political economy in the period of War Communism - had, of course, its concrete background in economic policy. Namely, as early as in January 1920, the Financial and Accounting Department of the Supreme Council for National Economy formed a commission for studying the introduction of a firm accounting unit and on January 26, 1921, the government passed a resolution on the problems of material accounting, one of the clauses of which said: "it is necessary to start, without delay, to work out an accounting unit serving as a scale of measurement which would best conform to the society of labour." (Quoted by L.N. Yurovsky: *op. cit.* p. 88.) In its wake an interdepartmental commission attached to the Commissariat for Finance was set up which prepared appropriate draft decrees by the spring of 1921. These, however, were never adopted. Also the studies published in the economic press were concerned with this work. - These articles are found to contain several proposals. Some of them seem quite fantastic today. M. Smit (later a corresponding member of the Academy of Sciences of the USSR) in her article "K voprosu ob izmerenii trudovoi stoimosti" published in No. 3, 1921, of *Narodnoe Khoziaistvo* and S. Klepikov in an article "Opyt postroeniya sistemy khoziaistvennykh izmeritelei v promyshlennosti" published in the same issue, proposed to measure value with the quantity of human and mechanical energy used for turning out the product (measured in terms of metre-kilograms or similar technical units). To arrive at the total energy requirement of a product, the energy requirements of the materials, depreciation and even overhead costs should be expressed in this unit. Klepikov thinks it possible to account for the difference between simple and complex labour with the aid of a correction coefficient representing the energy input of training specialists (*op. cit.* p. 45). Professor A. V. Chayanov's original proposal also starts from physical indices, but relies on entirely different principles. He expounded this at a high-level seminar of economics at the Agrarian Academy in Moscow (see the publication of the materials of this seminar: *Metody bezdenezhnogo ucheta khoziaistvennykh predpriyatii*, Moscow, 1921). According to him the State wants to produce the volume of consumer goods for the population most efficiently, that is, by using the resources most economically. For this purpose it must select the enterprises operating under the most favourable conditions. This is done by collating the use of resources per unit of product in the different enterprises with known utilization norms. In this manner enterprise efficiency coefficients (compared to the normative) are obtained for individual resources. By properly weighted averages the average efficiency of the enterprise can be established, and then the State can choose the production units with the most favourable conditions for realizing its production programme. Certain features of the procedure, mainly the assessment of resources relying on a fixed product pattern and irrespective of market relations, show definite affinities with Kantorovich's later model of macroeconomic programming. - Another group of proposals - which actually came to underlie the official drafts for decrees - advocated the valuation of products on the basis of hours of work used in their production. The Hungarian E. Varga (*Ischislenie stoimosti proizvodstva v bezdenezhnom khoziaistve, Ekonomicheskaya Zhizn'*, 1920, Nos. 224 and 259.), H. Kreve (*Uchet*



be explained by his greater sense of reality, he could not presumably think of any other unit of measurement than money, since in later parts of his article we find the following reasoning, which rather deviates from the ideological line of War Communism: "True, Russia's national economy cannot completely renounce the participation of money tokens in turnover for the time being. As is known, this circumstance may be explained by the duality of the forms of socio-economic organization expressed in our country to this very day in the confrontation of organized, socialized urban economy with peasant economy, that is, with the individual economy of small-scale producers in the countryside. Since the problem of commodity exchange arises on the plane of relations between town and countryside – the monetary system must be retained in some form for an indefinite time. But the necessity of reducing money circulation in the entire (hitherto) nationalized sphere of the national economy obliges us to take measures for its settlement, since for the whole period leading up to socialism the utter irregularity of constant emissions can, in the final analysis, by no means be immaterial."<sup>37</sup>

Thus we find here in Obolensky a conception of the survival of commodity and monetary economy that is identical, almost word for word, with Stalin's explanation thirty-two years later, together with all its limitations. At any rate, what they have to say coincides in two essential points: (a) there is no commodity production within the State sector; (b) the survival of commodity exchange is caused by the economy's consisting of two sectors. We must, however, emphasize the occasional nature of this opinion (perhaps even within the author's own standpoint), since the view generally prevailing considered the ever increasing 'naturalization' of economic relations as a desirable and immediately attainable goal.

In this respect it is very interesting to read a survey by Yu. Larin (originally: Mikhail Aleksandrovich Lurie), member of the Supreme Council for National Economy, in mid-July 1920 about the economic relations of the period, its tendencies of development – as then seen. Because of its documentary value (originally the writing was conceived as a kind of guide for a foreign delegation of workers), we shall publish here longer excerpts:

"The fact that during the Soviet period of the history of Russia we have succeeded in drawing into the trade unions almost every worker and employee has extremely facilitated the introduction of a uniform wage policy and the preparation of the huge change in the wage system (and the related change in the way of life) which the new system involves in compliance with the realization of its economic guideline. With socialized organization of production – and to the ex-

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trudovoi tsennosti predmetov i ocherednie zadachi khozyaistvennogo stroitel'stva, *Narodnoe Khozyaistvo*, 1921, Nos. 1–2.) and S. Strumilin (*Problemy trudovogo ucheta*. Written in October 1920, last published in the volume of the author: *Problemy ekonomiki truda*, Moscow, 1925, pp. 202–233.) proposed to accept as the unit of 'labour value' the hourly (Krevo) or the daily (Strumilin) product of the work of an unskilled worker (belonging to the first class in the wages tariff) provided the work norm is fulfilled 100 per cent. The products of more complex work would be expressed in this unit by means of tariff coefficients. The inherent mistake of all these proposals is that – understandably – they do not even raise the problem of the extent to which these hours or days of work can be considered as socially necessary, or how the social necessity and usefulness of the labour inputs should be recognized.

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<sup>37</sup> See L. Obolensky: *op.cit.* p. 9.

tent of its actual realization – an ever greater *naturalization of the national economy as a whole* will unavoidably occur. Above all, the transition will take place from 'anarchical' production for an uncertain market to socially recorded production 'on order'. In other words, the various branches of the national economy will work according to a uniform plan, centrally determined and co-ordinated in its details. In addition, every enterprise in these economic branches is now owned by a single proprietor: the State. These have now all become, as it were, plants or workshops of the same enterprise, and within this enterprise there is no place either for 'the spontaneous play of blind economic forces' of the old bourgeois society, or for commercial relations between individual workshops. In an economy thus organized the purchase and sale of raw materials, fuels and machinery, credit, banking operations, etc. become superfluous; what happens instead is simply that a definite amount of articles are handed over by a certain workshop of the uniform State enterprise to other workshops. For example it is registered in the books that so much coal has been handed over by the directorate of the State coal mines (High Commission for Coal Mining) on the order of the State organ dealing with the allocation of fuel (High Commission for Fuel) to the directorate of the State railways (People's Commissariat for Transport) – but nothing else.

"In the case of the worker, the naturalization of all his social relations – that is, the replacement of his money wages by the allocation in kind of all articles needed for himself and his family – can only take place if the State disposes of the products of all branches of the economy to a satisfactory extent. In this respect what the Russian working class had to experience during the Soviet period is most characteristic. In the first year of Soviet power the form of remuneration for work was exclusively money wages: both the basic wage and the premiums for particularly successful work. The expression, 'naturalization of wages', emerged in the press only in early September 1918 . . . The second year of Soviet power already witnessed the beginning of gradual naturalization. The order of April 1919 introduced first of all the free supply of food for the children of workers and employees aged 16 and younger; somewhat later the State started free allocation of clothing, shoes, caps and socks for all schoolchildren. As regards wages, this measure considerably equalizes the situation of workers with families and that of single persons, and is a great step forward on the road leading to a change in the nature of the material relations between man and society; the remuneration for work is being replaced by distribution of the product of communal work according to the needs of all workers. (Already prior to this, the State undertook all costs relating to childbirth, the initial nutrition of babies, etc., including free allocation of 30 arshines of textiles.)

"The next great step was the virtual abolition of house-rent by forbidding the raising of it above the level attained on July 1st, 1919. With continuous devaluation of money this was equivalent to transforming rent into a nominal figure and to maintaining flats of workers and employees by the State . . .

"The next step in this direction was the introduction of 'general work clothes'. From State reserves about 100 million arshines were allocated in order to make clothes and partly also underwear for every worker at State expense – as is done for soldiers. . .



"From the end of 1919 soap was also supplied to industrial plants at State expense and, consequently, came to be distributed free of charge by enterprise directorates and trade unions. A few months earlier a decree had been approved and implemented, according to which on applying for their sugar, salt, matches etc. rations workers and employees should pay the fixed prices prevailing in July 1919, even if these prices had been raised for other sections of the population in the meantime (they have). The sum total of these and similar measures (even earlier postal transport of letters had been made free for everyone) increasingly reduced the importance of the money part of wages, increasing the role of direct satisfaction in kind of the needs of workers and their families (including the organization of theatre performances for them etc.) Among other things, since March 1920 an important measure has successfully and widely been implemented: every worker and employee is given, at his place of work, a warm meal free of charge – without any deduction from wages – at the cost of the State. . .

"Finally, quite recently, in the wake of the resolution of the Congress of the Communist (Bolshevik) Party held in April 1920, they have started to introduce, over a wide area, a series of extra premiums in kind (sugar, salt, textiles etc.), as supplementary to ordinary money wages; these being distributed according to the labour performance of workers and employees (outside the scope of ordinary 'rationing'). . . If the expulsion of money from some fields of the economy (owing to the concentration of the whole of industry in the hands of the State) explains the lag to be observed in the rate of emission of paper money behind the rate of price increases, the growing extent and importance of supplementing money wages with allocations in kind explains on its part why workers do not emphatically demand that money wages should rise at the same rate as the emission of paper money. Owing to the new organization of the economy, Russian workers increasingly lose their interest in money wages – money beginning to die away perceptibly in this function as well, similarly to the earlier dying away and disappearance of banks, stock-exchanges, etc. in Soviet Russia."<sup>38</sup>

Larin's writing reveals, better than anything, the ghostly fashion in which the theoretical interpretation of the measures adopted in the era of War Communism resembles the programme produced in the nineties by German Social Democracy, and, on the other hand, what a bad joke this dogmatism played on those bringing about mankind's greatest revolution, when it represented several measures (the introduction of rationing, free food and other allocations, etc.) forcibly imposed by hunger and economic disorder due to war, as being in their eyes the first creations of socialism in the process of being realized.

## THE ROLE OF COERCION

Another feature of the 'war-communist' concept of socialism mentioned above is the thesis that the main tool of building and controlling socialist economy is force, coercion by the State. This thesis can perhaps not be found *expressis verbis* in contemporary literature, but we can draw well-founded conclusions from the

<sup>38</sup> Yu. Larin – L. Kritsman: *Ocherk khozyaistvennoi zhizni i organizatsiya narodnogo khozyaistva Sovetskoi Rossii*, Moscow, 1920, pp. 47–51.

measures and methods that were discussed by the contemporary ideologues and from the methods that were *not* mentioned.

In Bukharin's book, for instance, we cannot find the faintest allusion to, or mention of, the material interest of workers in building socialism, the role of material incentives. Richer and more interesting are his reasonings about the role of force and coercion. The latter are given, as it were, a theoretical framework in a separate chapter. (Chapter X: 'Extra-economic' coercion in the period of transition.)

At the beginning of the chapter Bukharin summarizes the well-known Marxian theorem on the role of force in history. He emphasizes that force may accelerate but may also put a brake on economic development. A particularly important role is played by force in the 'critical' periods, when one mode of production is supplanted by another one. ("Force is the midwife of every old society pregnant with a new one. It is itself an economic power.")<sup>39</sup> But, in creating a new society, the task of the revolutionary force is – emphasizes Bukharin – not only to break the fetters on social progress, i.e. the obsolete relations of production, but also actively to shape the economic structure of society. "On the one hand, force thus plays the role of a destructive factor, on the other, it is a force of coupling, of organization, of construction."<sup>40</sup> Then the author postulates the following strange theorem: "The greater this 'extra-economic' force, which is a real 'ökonomische Potenz', the smaller the 'costs' of the transitional period (other things being, of course, equal), the *shorter* this transitional period and the earlier the social equilibrium is re-established on new bases, and the faster the curve of productive forces starts to rise."<sup>41</sup>

This 'extra-economic' force is, of course, the political power of the proletariat, the dictatorship of the proletariat. Wherein does Bukharin perceive its economic role? "Since this political power, as 'concentrated force' against the bourgeoisie, is itself an *economic* power, it is a force that breaks asunder the capitalist relations of production, handing over the material skeleton of production to the proletariat and gradually fitting *non-proletarian* human elements of production into the system of new socio-economic relations."<sup>42</sup> Up to this point – in spite of its circumstantial formulation – this statement is valid and historically proven. But let us see how he continues: "On the other hand, the same 'concentrated force' partly turns *inward*, since it is a factor of the *self-organization and coercive self-disciplining of workers*. Therefore, we must analyse both sides of coercion: coercion applied against the non-proletarian strata and to the proletariat itself as well as to the social groups close to it."<sup>43</sup> Bukharin explains this startling notion, the self-inflicted or forced (*prinuditel'naya*) self-discipline, as follows: the proletariat is of a heterogeneous composition, its various strata may be the carriers of various influences. Therefore, the discipline voluntarily undertaken by the most conscious part of the proletariat must be forced upon the other strata with the aid of the tools available to State power. Of course, with the progress of building communism, this external coercion will gradually cease.

<sup>39</sup> K. Marx: *Capital*, Vol. I, p. 751.

<sup>40</sup> N. Bukharin: *op. cit.* pp. 138–139.

<sup>41</sup> *Ibid.* p. 139.

<sup>42</sup> *Ibid.* pp. 139–140.

<sup>43</sup> *Ibid.* p. 140.



The introduction of 'coercive self-disciplining' in the economic field means, above all, the liquidation of the labour market. As Bukharin writes: "One of the main coercive forms of a new type in the sphere of the working class is the liquidation of the so-called 'freedom of labour'. In capitalist society, 'freedom of labour' was one of the many fictitious concepts of this society since in reality capitalist monopoly of the means of production *compelled* the workers to sell their labour power. This 'freedom' boiled down first to the relative possibility of *choosing* the employer (migration from factory to factory), to the possibility of mutually giving 'notice' to quit; secondly, this 'freedom' meant *the competition of workers among themselves*. . . Under the dictatorship of the proletariat the problem of the 'employer' is irrelevant since the 'expropriators have been expropriated'. On the other hand, the remnants of disorganization, of individualism, of guild-like seclusion, lack of solidarity, the vices of capitalist society find expression in the lack of understanding of *general proletarian* tasks condensed in the tasks and requirements of the Soviet dictatorship, of the workers' State. Since, however, these tasks must be fulfilled at any price, it is understandable that the so-called 'freedom of labour' should be liquidated precisely in the interest of the proletariat, in the name of the real and not fictitious freedom of the working class. Indeed, the 'freedom of labour' is irreconcilable with a correctly organized, 'planned' economy and with a similar allocation of the labour force. The obligation to work and the system of allocating working hands by the State under the dictatorship of the proletariat indicates thus a relatively high degree of organization of the entire apparatus and, in general, of the strength of the proletarian power."<sup>44</sup>

It is hardly necessary to underline that such a 'soil-bound' concept of labour has little to do with the theory of revolutionary Marxism. The freedom of labour contract is not worthless for workers even under capitalism, and serves not only the interests of capitalists, but also the economic struggle of the working class, its organization and its growing consciousness. The classics of Marxism – while pointing out also the limitations – never handled bourgeois rights of freedom in capitalism in a nihilistic manner. And as regards socialist society such "soil-bound" treatment of workers directly contradicts the essence of this society: the development of man's many-sided faculties. But apart from the humanistic objectives of socialism, it will be obvious that forced labour does not pay even in the strictly 'economic' sense: without any material and intellectual incentive the workers – whatever the degree of their class consciousness – cannot propel the growth of production, the rise in productivity for a long time and above a certain level of development of the forces of production. Any assumption to the contrary leads – in the best case – to purest utopia involving invariably the payment of a heavy penalty.

As a matter of fact, we could here end the survey of Bukharin's book, if it did not contain two or three paragraphs which, though of no great bearing in themselves, are most interesting from the viewpoint of later ideological-political debates. That is, they contain one of the first indications of the theory of so-called *primitive socialist accumulation*, expounded in full some 4–5 years later by Preobrazhensky, the ideologue who advocated industrialization at a forced pace, and the main critic of which will be precisely Bukharin.

<sup>44</sup> *Ibid.* pp. 144–145.

In 1920, the idea of primitive socialist accumulation emerged with Bukharin in the context of starting production after the revolutionary war. Let us quote him: "In the beginning we shall have to go through the period of 'primitive socialist accumulation' (Bukharin's note: the notion has been proposed by Comrade V. M. Smirnov in the weekly edition of *Pravda*). What does in fact primitive *capitalist* accumulation consist in from the aspect of production? It consists in the fact that the political power of the bourgeoisie has mobilized huge masses of the population, plundered them, turned them into proletarians and created from them the main productive force of capitalist society. The *production of the proletariat* – this is the 'substance' of the era of primitive accumulation. . . *Capital* has thus mobilized the forces of production through robbery, class force and plunder and made them the starting point for further development. – But also socialism, growing from a heap of ruins, must unavoidably start with *mobilizing the living force of production*. This mobilization of labour is the basic feature of primitive socialist accumulation, which is the dialectic negation of capitalist accumulation. Its class substance is not the creation of the preconditions for the process of exploitation, but the rebirth of the economy while *liquidating* exploitation, not force exercised by a handful of capitalists, but the self-organization of the working masses. . . . In the first steps of development, when the proletariat inherits a cruelly devastated technical framework of materials and machinery, living labour acquires particular importance. Therefore, the transition to the *general obligation to work*, that is, the inclusion of wide *non-proletarian*, mainly peasant masses, in the work process of the proletarian State becomes an urgent necessity. The creation of the collectively operating massive living force of production is the starting point for further work. The most important fields of work are first transport, the procurement of fuel, raw materials and food."<sup>45</sup>

Hence what Bukharin means by 'primitive socialist accumulation' is the organization of reconstruction work as public works – and nothing more. This is not altered by the fact that he interprets the obligation to work – a characteristically war economy method – in a much wider sense and, as we have seen, identifies it as the main method of socialist economy. Precisely on this account, the parallel drawn with the Marxian notion of primitive capitalist accumulation was unfortunate, for it gave rise to much misunderstanding and misinterpretation; essentially, it created a confusion of concepts.<sup>46</sup> Anyone who reads the famous 24th chapter in the first volume of *Capital*, will see that, according to Marx, the substance of so-called primitive accumulation is not the development of the forces of production, but, first and foremost, the transformation of the *relations* of production into capitalist ones. The 'production of the proletariat' is only one aspect of this process, and again not in the sense of 'creating' the main force of production, but in

<sup>45</sup> *Ibid.* pp. 101–102.

<sup>46</sup> We cannot help quoting (departing from our line of reasoning) a marginal note by Lenin, attached to the footnote to the first sentence of Bukharin's above text: ". . . and extremely unsuccessful (namely, the notion proposed by Smirnov – *L.Sz.*). As children imitating the notions used by grown-ups." (V. I. Lenin: *Zamechaniya na knigu N. I. Bukharina: Ekonomika perekhodnogo perioda*. *Leninskii Sbornik*, Vol. XI. Moscow–Leningrad, 1929, p. 375.)



the sense of turning guild-artisans and feudally-bound serfs into free wage labourers.<sup>47</sup>

But why did Bukharin – and others as well – resort to such quasi-Marxist analogy? The answer unequivocally follows from the fact that he only stresses one single aspect of primitive capitalist accumulation: the role of coercion and force exercised by the State power in creating the capitalist mode of production. In this he thought to find an ideological basis for the war communistic method of socialist economy. But even this analogy is rather far-fetched, since Marx attributed only a marginal role to extra-economic force in the functioning of capitalist economy, stressing that the smoothness of exploitation is secured by the 'natural laws' of capitalist production.<sup>48</sup> In the minds of the ideologues of War Communism the frontier between the temporary character of coercive measures taken under the pressure of an emergency and the basic principles of socialist economy – as could be seen more than once from previous quotations – became indistinct.

This can be well observed e.g. in Trotsky's speech on economic construction at the IXth Party Congress in March, 1920, wherein he defended the forced allocation

<sup>47</sup> "In themselves money and commodities are no more capital than are the means of production and of subsistence. They want transforming into capital. . . two very different kinds of commodity-possessors must come face to face and into contact; on the one hand, the owners of money, means of production, means of subsistence, who are eager to increase the sum of values they possess by buying other people's labour-power; on the other hand, free labourers, the sellers of their own labour-power, and therefore, the sellers of labour. . . . With this polarization of the market for commodities, the fundamental conditions of capitalist production are given. The capitalist system presupposes the complete separation of the labourers from all property in the means by which they can realize their labour. As soon as capitalist production is once on its own legs, it not only maintains this separation, but reproduces it on a continually extending scale. The process, therefore, that clears the way for the capitalist system, can be none other than the process which takes away from the labourer the possession of his means of production; a process that transforms, on the one hand, the social means of subsistence and of production into capital, on the other, the immediate producers into wage-labourers. The so-called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production. It appears as primitive, because it forms the pre-historic stage of capital and of the mode of production corresponding with it. . . . the historical movement which changes the producers into wage-workers, appears, on the one hand, as their emancipation from serfdom and from the fetters of the guilds, and this side alone exists for our bourgeois historians. But, on the other hand, these new freedmen became sellers of themselves only after they had been robbed of all their own means of production, and of all the guarantees of existence afforded by the old feudal arrangements. And the history of this, their expropriation, is written in the annals of mankind in letters of blood and fire. – The industrial capitalists, these new potentates, had on their part not only to displace the guild masters of handicrafts, but also the feudal lords, the possessors of the sources of wealth. In this respect their conquest of social power appears as the fruit of a victorious struggle both against feudal lordship and its revolting prerogatives, and against the guilds and the fetters they laid on the free exploitation of man by man. . . . – The starting-point of the development that gave rise to the wage-labourer as well as to the capitalist, was the servitude of the labourer. The advance consisted in a change of form of this servitude, in the transformation of feudal exploitation into capitalist exploitation." K. Marx: *op. cit.* Vol. I, pp. 714–715.

<sup>48</sup> "The organization of the capitalist process of production, once fully developed, breaks down all resistance. The constant generation of a relative surplus-population keeps the law of supply and demand of labour, and therefore keeps wages, in a rut that corresponds with the wants of capital. The dull compulsion of economic relations completes the subjection of the labourer to the capitalist. Direct force, outside economic conditions, is of course still used, but only exceptionally. In the ordinary run of things, the labourer can be left to the 'natural laws of production', i. e. to his dependence on capital, a dependence springing from, and guaranteed in perpetuity by, the conditions of production themselves. It is otherwise during the historic genesis of capitalist production." K. Marx: *op. cit.* Vol. I, p. 737.

tion of labour, the 'militarization' of labour (as a matter of fact, the theses of Trotsky were adopted by the Party Congress):

"The organization of work is essentially the organization of the new society, since every historical society is an organization of work. We organize or start organizing work on new, socialist foundations. If our old society was a coercive organization of work for the benefit of a minority, where coercion was extended by the minority to the overwhelming majority of workers, then we now make the first attempt in world history to organize the work of the toilers in the interest of this working majority. This, however, does not mean the abolition of the element of coercion. This element will not disappear through the trapdoor of history. No, coercion plays and is going to play a great role yet through a considerably long period of history. As a general rule, man tries to avoid work. We could say that man is a rather lazy animal, and human progress essentially relies on this property of his, since if man did not strive at an economical use of his labour, did not make efforts to obtain more products with less energy, neither technology nor social culture would make progress. In this sense, human laziness is a progressive force. Of course, we must not conclude that in its agitational activity the Party should advocate this property as a moral duty. It abounds anyway, and the task of social organization is to insert laziness into a definite framework, to discipline and stimulate it with the help of the social organization of work."<sup>49</sup>

Of course, the allusion to the old hedonistic principle is merely a rhetorical trick, but it lends, as it were, an 'eternal human' touch and a historically necessary character to the measures considered by the orator to be principles of socialist management: "Who now allocates the labour force and directs it to where it is required by the economic tasks of socialist construction? It is the trade unions, which do this in accordance with the demands of social and economic agencies. But what methods and procedures are applied to make sure that a worker directed to place A really moves to place A? Now the worker goes from factory to factory, from plant to plant not of his own free will, as it was called under capitalism, that is, not under economic pressure, the pressure of hunger, as was the case under capitalist rule, but he is directed and must be directed by the central economic agencies in accordance with the integrated economic plan. Thus, workers are now bound to the factories and plants. It is obvious that one worker will regard this as a duty to be performed, from inner conviction, to promote the national economy while another will not understand this, and the third, the most backward one, will feel this to be undisguised coercion and will put up resistance. That such people exist is best testified by the statistics of the trade union movement. In the major industries 1,150,000 workers are recorded, in reality there are 850,000; at least such was the situation one and a half or two months ago. Where have the 300,000 gone? They have disappeared. Where to? Perhaps to the country or to other industries, or gone huckstering. That is, the 300,000 – as is said in the army – have deserted the 800,000. What can be done about it? In the military field there exists a proper machinery for compelling soldiers to perform their duty. In one form or another, this must also happen with regard to labour. No doubt, if we speak seriously about planned economy, encompassed by a uniform central conception,

<sup>49</sup> *Dev'yatyi s'ezd Rossiyskoi Kommunisticheskoi Partii. Stenograficheskiy otchet.* (March 29 – Apr. 4, 1920), Moscow, 1920. p. 79.



when labour is allocated according to the economic plan at a given stage of development, the mass of workers must not be a wandering Russia. They must be directed, nominated, commanded in the same manner as soldiers. This is the basis of the militarization of labour and without it, under the conditions of devastation and hunger, we cannot speak seriously of any industry standing on new foundations... This militarization is inconceivable without the militarization of the trade unions, without establishing a regime in which every worker feels he is a soldier of labour and cannot dispose of himself freely; if instructed to move, he must obey, and if he does not – he will become a deserter and get punished.”<sup>50</sup>

That this regime of barracks, of forced labour, was really considered a *conditio sine qua non* of socialist economy by Trotsky, will be clear from further statements by him when retorting to an attack of the opposition which declared that the operation of the labour armies, of forced labour results in low productivity, as a matter of fact, it is unproductive: “... the arguments raised here against the organization of the labour army are directed entirely against socialist organization of the economy in our transitional period. If we swallow the old bourgeois prejudice, or rather, not the old bourgeois prejudice but the old bourgeois axiom turned into prejudice, that forced labour is unproductive, then this relates not only to the labour army, but also to obligatory work as a whole, the foundation of our economic construction, and thus to our socialist organization in general. Of course, together with Comrade Osinsky and his followers, we could outline the perspectives of the organization of socialist economy. There, coercion will gradually disappear and fade away, and in a well organized socialist economy the elements of coercion will no longer be felt as such, since work – both physical and intellectual – will become a need for every member of society. But there are many steps to be taken before then, and here the elements of coercion will work with full vigour. Thus, in the period of transition coercion plays an immense role in organizing work, and if forced labour is unproductive, this condemns our economy. If work is organized according to an incorrect principle, the principle of coercion, and if coercion is incompatible with labour productivity, however clever we are and whatever we do, we should be doomed to economic decline.”<sup>51</sup>

This quotation seems to prove conclusively that War Communism, as a specific economic model in general – and every one of its traits, in particular – had its own theoretical background. Not for a single moment did its ideologues consider the system of war-communistic economy as temporary, or at least they thought its existence was indispensable until the complete construction of socialism.

<sup>50</sup> *Ibid.* pp. 80–81.

<sup>51</sup> *Ibid.* p. 84.

## LENIN AND THE TRANSITION TO NEP

When analysing the economy and ideology of War Communism we intentionally avoided mentioning Lenin's views. This was because Lenin's conception of the socialist economy – and mainly its changes over time – require a separate analysis. Not as if Lenin had wanted to organize the socialist economy according to the principles of NEP immediately after the October Revolution. (Otherwise, Lenin never aspired to being regarded as an infallible leader from whose head the laws of social development emerge as did Pallas Athene from Zeus' head, to serve then as ready recipes for action at any time.) Unlike the ideologues of War Communism Lenin approached the forms of the socialist economy to be constructed not as one obsessed with prefabricated schemes. From the very first days of Soviet power he considered them as being subject to constant change and development, which can really be shaped only by the living practice of society. This idea recurs in his speeches and writings almost as a refrain that the Russian workers and peasants set themselves to things never before seen in history when starting to build up a new society, and no book, no earlier writing of socialists could provide guidance in this task.<sup>1</sup>

<sup>1</sup> Here are a few quotations for the sake of illustration:

Third All-Russia Congress of Soviets of workers', soldiers' and peasants' deputies: Report on the activities of the Council of People's Commissars, January 24, 1918: “This (the construction of a new social system – *L. Sz.*) will entail many difficulties, sacrifices and mistakes; it is something new, unprecedented in history and cannot be studied from books.” (V.I. Lenin: *Collected works*. Vol. 2. Progress Publishers, Moscow, 1964, p. 459.)

A contribution attacking the draft of the Party programme submitted by Bukharin to the VIIth Party Congress on March 8, 1918: “We cannot characterize socialism; we cannot tell what socialism will be like when it attains its fully developed form. But we can tell that the period of the social revolution has started, that we have completed this and that, and want to do this and that – so much we know and this we tell, showing thereby to the workers of Europe that we do not, so to say, overestimate our forces at all: we have started to do this and we intend to do that. But we cannot know what mature socialism will be like.” (V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 36. Moscow, 1962, p. 65.)

From the speech delivered at the first Congress of the national economic councils, on May 26, 1918: “... if we abstract ourselves somewhat from the direct unpleasantness of extremely frequent alteration of decrees, and if we look a little deeper and further into the enormous world-historic task that the Russian proletariat has to carry out with the aid of its own still inadequate forces, it will become immediately understandable that even far more numerous alterations and testing in practice of various systems of administration and various forms of discipline are inevitable; that in such a gigantic task, we could never claim, and no sensible socialist who has ever written on the prospects of the future ever even thought, that we could immediately establish and compose the forms of organization of the new society according to some predetermined instruction and at one stroke. – All that we knew, all that the best experts on capitalist society, the greatest minds who foresaw its development exactly indicated to us was that transformation was historically inevitable and must proceed along a certain main line, that private ownership of the means of production was doomed by history, that it would burst (in the Rus-



This is why it can only lead to distortions and, not infrequently, to falsification, when Lenin's ideas are presented as a ready-made, mature and final system, as a still-life. (As a matter of fact, we commit a similar error when quoting Lenin's ideas on some subject irrespective of space and time.) Indeed, Lenin's ideas about the socio-economic arrangement of socialism developed, became incessantly richer by the generalization of experience and changed during the 'accelerating' time of the revolutionary years. This development can be traced more easily if we realize that, in the wake of the Russian revolution and during the Civil War, the possibility of peaceful socialist construction emerged three times before the builders of the new social system: first in the spring of 1918, in the short 'breathing-space' that followed the peace treaty of Brest, secondly – as mentioned – in the spring of 1920, after the troops of Kolchak and Denikin had been shattered and, thirdly, in the winter of 1920–1921, when the Civil War had indeed ended. It promises therefore to be most instructive to find out Lenin's ideas, in these three stages, on socialist economic construction; we may perhaps even obtain an answer to the question whether he had one single or several 'plans' for building socialism.

### THE IDEAS OF 1918

Above all, we must realize that prior to the 1917 socialist revolution – like Marx and Engels – Lenin made only sporadic allusions to the pattern of the future socialist economy. In general, we may accept the fact that in this respect the ideas of the Russian Marxists tallied with the then general concepts of Marxists, the systematic exposition of which can be found in the writings of the representatives of German Social Democracy, particularly in those of Karl Kautsky. As a matter of fact, Lenin first started to deal with the task of creating a socialist economy only in the spring of 1917, that is, on the eve of the October Revolution. The immediate task was the transformation of the bourgeois-democratic revolution into a socialist revolution. In the economic field this meant that the national economy, driven to bankruptcy by the imperialist war still raging, had to be stabilized with the help of strict central governmental measures, on the one hand, and on the other, the nature of this regulation had to be changed: the operation of the old oppressive State machinery had to be replaced by democratic control exercised by the working masses from below.

As is known, Lenin intended to achieve these tasks with the state-capitalistic measures of war economy developed in the advanced capitalist countries, mainly in Germany, but of course filled with new content provided by the Russian Revolution. On his return from exile, in April 1917, he incessantly explained, propagated and demanded unfalteringly strict control of production and distribution. Best known in this connection is his pamphlet entitled *The impending catastrophe*

← sian original: 'cease' – *L. Sz.*), that the exploiters would inevitably be expropriated. This was established with scientific precision, and we knew this when we grasped the banner of socialism, when we declared ourselves socialists, when we founded socialist parties, when we transformed society. We knew this when we took power for the purposes of proceeding with socialist reorganization; but we could not know the forms of transformation, or the rate of development of the concrete reorganization. Collective experience, the experience of millions can alone give us decisive guidance in this respect. ... (In V.I. Lenin: *Selected works*. Vol. II. Progress Publishers, Moscow, 1970, pp. 723–724.)

and how to avert it. Written at the end of 1917, Lenin gave therein a comprehensive analysis of the most urgent measures: the nationalization of banks and largest monopolies (the sugar, oil, coal and metal syndicates); the abolition of business secrets (that is, the introduction of a kind of 'people's control'); the forced union of various enterprises into associations; obligatory association of the population into consumers' co-operatives. It is tremendously important for later developments, as also for our own investigations, that Lenin as early as this should have considered State-capitalistic methods not only applicable under a socialist economy, but – as follows from the meaning of his formulation – was also of the opinion that State-capitalistic methods of economic management become characteristic of a socialist economy as soon as the nature of State power changes.<sup>2</sup>

Later, in early October 1917, that is, less than four weeks before coming to power, in his rather rarely quoted other pamphlet: *Can the Bolsheviks retain State power?* Lenin goes even further and gives a concrete formulation of this idea by stating: the socialist revolution does not crush the entire State machinery, but only its oppressive bodies of coercion, taking over and utilizing to its advantage the institutions of State monopoly capitalism that fulfil explicitly the functions of economic control.<sup>3</sup> Even if we disregard the great importance of this statement for

<sup>2</sup> "And what is the state? It is an organization of the ruling class – in Germany, for instance, of the Junkers and capitalists. And therefore what the German Plekhanovs (Scheidemann, Lensch, and others) call 'war-time socialism' is in fact war-time state-monopoly capitalism, or, to put it more simply and clearly, war-time penal servitude for the workers and war-time protection for capitalist profits. – Now try to substitute for the Junker-capitalist state, for the landowner-capitalist state, a *revolutionary-democratic* state, i.e., a state which in a revolutionary way abolishes all privileges and does not fear to introduce the fullest democracy in a revolutionary way. You will find that, given a revolutionary-democratic state, state-monopoly capitalism inevitably and unavoidably implies a step, and more than one step, towards socialism!... – For socialism is merely the next step forward from state-capitalist monopoly. Or, in other words, socialism is merely state-capitalist monopoly which is made to serve the interests of the whole people and has to that extent ceased to be capitalist monopoly." (The impending catastrophe and how to combat it. In: V.I. Lenin: *Collected works*. Vol. 25. Progress Publishers, Moscow, 1964, pp. 357–358)

<sup>3</sup> "In addition to the chiefly 'oppressive' apparatus – the standing army, the police and the bureaucracy – the modern state possesses an apparatus which has extremely close connections with the banks and syndicates, an apparatus which performs an enormous amount of accounting and registration work, if it may be expressed this way. This apparatus must not and should not be smashed. It must be wrested from the control of the capitalists; the capitalists and the wires they pull must be cut off, lopped off, chopped away from this apparatus; it must be subordinated to the proletarian Soviets; it must be expanded, made more comprehensive, and nation-wide. And this can be done by utilizing the achievements already made by large-scale capitalism (in the same way as the proletarian revolution can, in general, reach its goal only by utilizing these achievements). – Capitalism has created an accounting apparatus in the shape of the banks, syndicates, postal service, consumers' societies, and office employees' unions. Without big banks socialism would be impossible. – The big banks are the 'state apparatus' which we need to bring about socialism, and which we take ready-made from capitalism; our task here is merely to lop off what capitalistically mutilates this excellent apparatus, to make it even bigger, even more democratic, even more comprehensive. Quantity will be transformed into quality. A single State Bank, the biggest of the big, with branches in every rural district, in every factory, will constitute as much as nine-tenths of the socialist apparatus. This will be country-wide book-keeping, country-wide accounting of the production and distribution of goods, this will be, so to speak, something in the nature of the skeleton of socialist society. – We can 'lay hold of' and 'set in motion' this 'state apparatus' (which is not fully a state apparatus under capitalism, but which will be so with us, under socialism) at one stroke, by a single decree. ..." (Can the Bolsheviks retain state power? In: V.I. Lenin: *Collected works*. Vol. 26, pp. 105–106.)



the Leninist theory of the State (as a matter of fact, this idea is not yet to be found in the *State and Revolution* written in the summer of 1917), we must see its consequences for economic theory.

When writing about the taking over of the institutions of State monopoly capitalism, what Lenin may have had in mind was naturally the war economy model of State-monopolistic control, since no other kind of State-monopoly capitalistic control existed at that time. In this sense, the development of his ideas about the management-methods of socialism was strongly influenced by these experiences. But even then, his concept differed in at least two important respects from the ideology of War Communism proper.

On the one hand, Lenin was fully aware of the fact that such basic pillars of later War Communism as the grain monopoly, rationing, general obligation to work, were derived from the capitalist war economy. Accordingly, he did not even attempt to qualify them as genuinely socialist or communist measures. On the other hand, Lenin emphasized, already in those times, the importance for socialism of such institutions as the banking system, and considered it indispensable to make use of experience in economic organization and methods of control evolved under the advanced capitalist system. In this respect he thought it important to win over bourgeois specialists and to put them at the service of the new State. It is noteworthy that Lenin did not consider either administrative or economic coercion as an instrument for securing devoted work from the specialists. And, so far as we know, this is where we first come across the idea that – in contrast to the general egalitarian concept – the specialists must, temporarily, be allowed to retain their higher salaries.<sup>4</sup>

These ideas, however, were formulated in connection with practical tasks. It is no coincidence that Lenin returned to them only half a year later, in March–April

<sup>4</sup> "The grain monopoly and bread rationing were introduced not by us but by the capitalist state in war-time. It had already introduced universal labour conscription within the framework of capitalism, which is war-time penal servitude by the workers. But here too, as in all its history-making activities, the proletariat takes its weapons from capitalism and does not 'invent' or 'create them out of nothing'. – The grain monopoly, bread rationing and labour conscription in the hands of the proletarian state, in the hands of sovereign Soviets, will be the most powerful means of accounting and control, means which, applied to the capitalists, and to the rich in general, applied to them by the workers, will provide a force unprecedented in history for 'setting the state apparatus in motion', for overcoming the resistance of the capitalists, for subordinating them to the proletarian state. These means of control and of compelling people to work will be more potent than the laws of the Convention and its guillotine. The guillotine only terrorized, only broke active resistance. For us, this is not enough – ... We must also break passive resistance, which is undoubtedly more dangerous and harmful. ... We must also compel the capitalists to work within the framework of the new state organization. It is not enough to 'remove' the capitalists; we must... employ them in the service of the new state. This applies both to the capitalists and to the upper section of the bourgeois intellectuals, office employees, etc. – ... We need good organizers of banking and the amalgamation of enterprises (in this matter the capitalists have more experience, and it is easier to work with experienced people), and we need far, far more engineers, agronomists, technicians and scientifically trained specialists of every kind than were needed before. We shall give all these specialists work to which they are accustomed and which they can cope with; in all probability we shall introduce complete wage equality only gradually and shall pay these specialists higher salaries during the transition period. We shall place them, however, under comprehensive workers' control and we shall achieve the complete and absolute operation of the rule 'he who does not work, neither shall he eat'. We shall not invent the organizational form of the work, but take it ready-made from capitalism – we shall take over the banks, syndicates, the best factories, experimental stations, academies, and so forth; all that we shall have to do is to borrow the best models furnished by the advanced countries." (V.I. Lenin: *op. cit.* pp. 108–110.)

1918, when again the tasks of practical socialist construction had to be tackled. In the six months that had elapsed no smaller events occurred than the seizing and stabilization of State power, the crushing of the first counter-revolutionary movements, pulling out of the First World War and conclusion of a peace treaty at Brest, but above all the start of huge socio-economic transformations: the nationalization and distribution of land, the introduction of workers' control in manufacturing, the nationalization of the banks, etc. Understandably, faced with thousands of everyday problems – on most of which the fate of the revolution depended – Lenin could not answer the questions we are now interested in, that is, how to arrange the socialist economy, in greater detail than can be found as programmatic references in his speeches, proclamations and draft decrees. These rather theoretical statements in general still fully corresponded to the concepts at the time accepted by Marxists.

Accordingly, socialist economy was to be organized as a network of democratically controlled communes (communities, *obshchiny*) of consumers and producers. The communes would transact among themselves exchanges of products in kind, without using money; and distribution would rest on egalitarian principles. Several documents of Lenin indicate the existence of such an idea.

Thus, in his first longer work on economic problems after the October Revolution: *How to organize competition?* (dated January 7–10, 1918), after registering the first steps taken until then toward socialism (the confiscation of land owned by landlords, the introduction of workers' control, the nationalization of banks) he marks out the tasks ahead as follows: "... the nationalization of factories, compulsory organization of the whole population in consumers' societies, which are at the same time societies for the sale of products, and State monopoly of trade in grain and other necessities."<sup>5</sup>

The draft decree formulated by Lenin during the same days about consumers' communes will show, however, that the subject here discussed consisted not only of how to organize the distributive organization of scarce material goods in war-time. Lenin considered setting up, beside the local organs of State power (the Soviets), territorial procuring and supply committees, which would take care of both supply for the population and the organization of production. If, in addition, they were granted the right of taxation and money-crediting, these committees 'could be the cells of socialist society'. Banks would be amalgamated with savings banks and transformed into organs of 'State accountancy'. With this commodity exchange would also cease, since goods would be transferred only between these committees with proper book-keeping, and individual sales would be forbidden. The network of these committees would have its vertically divided controlling bodies, which would amalgamate all People's Commissariats dealing with economic control.<sup>6</sup>

A preliminary draft destined for personal use must, of course, not be used for drawing far-reaching conclusions; nor can it be expected to be logically consistent, since, e.g., the elimination of commodity exchange does not result in the li-

<sup>5</sup> V.I. Lenin: *How to organize competition?* *Ibid.* p. 407.

<sup>6</sup> Cf. Draft decree on consumers' communes. Preliminary theses. In: V.I. Lenin: *On workers' control and the nationalization of industry*. Progress Publishers, Moscow, 1970, pp. 127–129.



liquidation of money in this draft. This becomes even more unequivocal in the final form of the draft, where Lenin really speaks only about consumers' communes playing a role essentially similar to that of consumers' co-operatives. This role is restricted to distribution and turnover, but in the latter market relations still have a relatively wide scope.<sup>7</sup> Yet, the ideas elaborated in the preliminary theses were no matter of accident; Lenin at most thought it expedient to modify the date or mode of implementation in the documents published. (The decree in question was indeed issued – in a somewhat extended form – with the signature of A. G. Shlikhter, People's Commissar for Food.) But in his *Theses on the question of immediate conclusion of a separate and annexationist peace*, drafted on Jan. 20, 1918, that is, two weeks later, Lenin mentions exchange of products in kind as one of the main elements in realizing socialism.<sup>8</sup> As a matter of fact, Lenin – in conformity with the prevailing opinion of other Marxists at the time – continued to consider liquidation of commodity production as a task coincident with the liquidation of capitalism, as will be clear from a clause – dropped as an incidental remark – in one of his drafts written two months later.<sup>9</sup> His writings of these days contain repeated references to a socialist society as being built-up as a network of producers' and consumers' communes.<sup>10</sup>

As a matter of fact, it is superfluous to collect Lenin's references to the organization of a socialist economy, since the outline of the draft of the Party programme written by Lenin in early March 1918 for the VIIIth Congress of the RCP(b) is available. The importance attributed by Lenin to the Party programme and to the accuracy of its formulation is well known. Can we have a more authentic source of information on his theoretical conception?

<sup>7</sup> "Every individual shall be entitled to acquire at his consumers' society any product, without any restrictions whatsoever, except for such regulations as may be established to limit the import of products from abroad. – Products produced for sale must be delivered to the local committee of supplies at uncontrolled prices, except in cases when fixed prices are established by law. Money received for products sold shall be entered to the account of the owners in the local (village, volost, city, factory or other) branch of the People's Bank." (Draft decree on consumers' communes. In: V.I. Lenin. *Collected works*. Vol. 26, p. 417.)

<sup>8</sup> "The reorganization of Russia on the basis of the dictatorship of the proletariat, and the nationalization of the banks and large-scale industry, coupled with *exchange of products* in kind between the towns and the small-peasant consumers' societies, is quite feasible economically, provided we are assured a few months in which to work in peace. And such a reorganization will render socialism invincible..." (V.I. Lenin: *Theses on the question of the immediate conclusion of a separate and annexationist peace*. *Ibid.* p. 449.)

<sup>9</sup> "The elimination of competition as of the fight related exclusively to the producers' market does not in the least mean the abolition of competition itself, – on the contrary, it is precisely the abolition of commodity production and capitalism that allows us to organize competition not in a bestial but in a human form." (First draft of the article: The immediate tasks of the Soviet Government. In: V. I. Lenin: *Polnoe sobranie sochinenii*. Vol. 36, pp. 150–151.)

<sup>10</sup> "The socialist state can arise only as a network of producers' and consumers' communes... Every factory, every village is a producers' and consumers' commune, whose right and duty it is... in their own way to solve the problem of accounting in the production and distribution of goods." (The immediate tasks of the Soviet Government. In: V.I. Lenin: *Selected works*. Vol. II, pp. 660, 664.)

Well, the line of reasoning of this draft agrees with the Party programme adopted a year later (quoted by us several times). Accordingly,<sup>11</sup> the whole population will be united into consumers' and producers' communes (the text of one year later only speaks of consumers' communes!), managed by workers' organizations. Trade will be 'fully and finally' supplanted by planned allocation. During the transition money will not be abolished, but sales and purchase transactions can only be made through the mediation of the communes. The general obligation to work will be extended to the peasantry. Gradually, equal wages will be paid for all kinds of work in various trades. And, finally, efforts will be made to replace family households by public catering. (This idea was also dropped from the later programme.)

It may thus be stated that when Lenin summarized the general objectives in March 1918, this *theoretical* draft hardly differed from the conception of the ideologues of War Communism.

We get a different picture if we examine the *practical* tasks of socialist construction, expounded by Lenin also in March–April 1918 in his famous writing entitled *The immediate tasks of the Soviet Government*.

After the Brest Treaty and the crushing of the first counter-revolutionary movements, the leaders of the Soviet State thought that war was over and the time for consolidation had come.<sup>12</sup> The programme of consolidation was formulated

<sup>11</sup> Let us quote the relevant part of the draft:

"The socialist organization of production in the whole state: management by the *worker's organizations* (trade unions, factory committees, etc.) under the general leadership of the only *sovereign* Soviet power.

"The same applies to transport and distribution (initially state monopoly of 'trade', later the full and final replacement of 'trade' with planned, organized *distribution* through the associations of trade and industrial employees, under the leadership of the Soviet power).

– The compulsory union of the *whole* population into consumers' and producers' communes.

"Money will (temporarily) not be abolished, and the purchase and sale transactions between individual families will not be prohibited, but simultaneously it must be made compulsory by law that every such transaction should take place through the mediation of the said communes.

– Full implementation of the general obligation to work must be immediately begun, extending it most cautiously and gradually to the small peasantry living from its own farm without employing wage labour...

– Complete centralization of banking in the hands of the state, centralization of total trade and money circulation in the banks. Making the current bank accounts universal: gradual transition to the situation that first the large economic units and later *all* economic units should keep compulsorily current bank accounts. Money shall be kept in the banks, and money transfers shall be made *only* through the banks.

– Making the accounting and control of the whole production and product distribution universal; this accounting and control must be implemented first by the workers' organization and later by the *whole population, without exception*.

– Organization of competition among (all) different consumers' and producers' communes of the country for continuously increasing organization, discipline, the productivity of labour, to shift to more advanced technologies, to save labour and products, gradually to reduce the working day to 6 hours; for gradually levelling out *all* wages and salaries in *all* trades and categories.

– Constant and regular measures (shift to Massenspeisung – mass catering) so that the individual households of the individual families should be replaced by the common catering of large groups of families." (The outline of the draft programme. In: V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 36, pp. 74–75.)

<sup>12</sup> "We may safely state that the civil war has fundamentally ended" – stated Lenin on April 23rd, 1918 at the session of the Moscow Soviet. (V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 36, pp. 233–234.)



by Lenin as a double task: (1) to organize social control ('accounting and control') of production and distribution; (2) to increase the productivity of labour on a national scale.

As to the *first task* – Lenin emphasized – the socialization of production is not completed by expropriating, nationalizing capitalist property; to achieve this a new order of production must be organized, and this takes time. Therefore, on the one hand, the struggle against the bourgeoisie continues under the new conditions with methods of economic organization, while, on the other hand, further expropriation needs to be slowed down until the socialist basis of production has been consolidated.<sup>13</sup> But this slowing down, the gradualness of transition is in Lenin's view not a tactical concession imposed by circumstances, but a *strategic* requirement of building socialism: "socialism calls for a conscious mass advance to greater productivity of labour compared with capitalism, and on the basis achieved by capitalism."<sup>14</sup>

This approach – which could be called a 'production approach' – explains that in the practice of economic organization Lenin relatively soon parted – temporarily, as he then thought – with some of the basic principles conceived earlier and still proclaimed in theoretical declarations. Thus, as against the general egalitarian concept, he returned to his idea, expounded in the autumn of 1917, that the employment of bourgeois specialists was indispensable and this could only be achieved by allowing them higher pay. He made no secret of the fact that this was a departure from the principles of the Paris Commune, and even a backward step from the initial measures of proletarian power; but it was a necessary compromise, since for the moment the Soviet power could in no other way engage the specialists needed for controlling a modern economy.<sup>15</sup> True, Lenin thought

<sup>13</sup> "... we are faced with a new and higher form of struggle against the bourgeoisie, the transition from the very simple task of further expropriating the capitalists to the much more complicated and difficult task of creating conditions in which it will be impossible for the bourgeoisie to exist, or for a new bourgeoisie to arise. Clearly, this task is immeasurably more significant than the previous one; and until it is fulfilled there will be no socialism... That is why the present task could not be defined by the simple formula: continue the offensive against capital. Although we have certainly not finished off capital and although it is certainly necessary to continue the offensive against this enemy of the working people, such a formula would be inexact, would not be concrete, would not take into account the peculiarity of the present situation in which, in order to go on advancing successfully in the future, we must 'suspend' our offensive now." (The immediate tasks of the Soviet Government. In: V.I. Lenin: *Selected works*. Vol. II, pp. 651–652.)

<sup>14</sup> *Ibid.* p. 654.

<sup>15</sup> "Without the guidance of experts in the various fields of knowledge, technology and experience, the transition to socialism will be impossible... Had our proletariat, after capturing power, quickly solved the problem of accounting, control and organization on a national scale (which was impossible owing to the war and Russia's backwardness), then we, after breaking the sabotage, would also have completely subordinated these bourgeois experts to ourselves by means of universal accounting and control. Owing to the considerable 'delay' in introducing accounting and control generally, we, although we have managed to conquer sabotage, have not yet created the conditions which would place the bourgeois specialists at our disposal... Now we have to resort to the old bourgeois method and to agree to pay a very high price for the 'services' of the top bourgeois experts... Clearly, this measure is a compromise, a departure from the principles of the Paris Commune and of every proletarian power, which call for the reduction of all salaries to the level of the wages of the average worker, which urge that careerism be fought not merely in words, but in deeds. – Moreover, it is clear that this measure not only implies the cessation – in a certain field and to a certain degree – of the offensive against capital (for capital is not a sum of money, but a definite social relation); it is also a *step backward* on the part of our socialist Soviet state power, which from the very outset proclaimed and pursued the policy of reducing high salaries to the level of the wages of the average worker." (*Ibid.* pp. 654–655.)

this deviation from egalitarianism was temporary, a 'tribute' to be paid for Russia's backwardness.

Another difference – which is relevant only in retrospect and of which slight traces only can be found – is that Lenin intended to realize 'accounting and control', not in kind, but with the help and further expansion of money circulation and the banking system, through a consolidation of the system of taxation and the State Budget in general, etc.<sup>16</sup>

The *second task* can be separated from the first only conditionally, since Lenin handled the raising of labour productivity not as a 'technical' problem, but considered it 'the fundamental task' of 'every socialist revolution', and, as a matter of fact, he perceived in it the substance of creating a new social formation. This is unequivocally clear from his own words.<sup>17</sup> Therefore, besides developing a large-scale industrial base and the cultural progress of the masses, he laid emphasis on the rational organization of production, on strengthening labour discipline.

In this context he again made proposals that went beyond the organization of work in the strict sense and touched upon the foundations of the organization of the whole social economy, – once again in a sense deviating from the dominant conception. He writes as follows: "We must raise the question of piece-work and apply and test it in practice; we must raise the question of applying much of what is scientific and progressive in the Taylor system; we must make wages correspond to the total amount of goods turned out, or to the amount of work done by the railways, the water transport system, etc. etc."<sup>18</sup> What else is this 'make wages correspond' than the principle of interest in production, one of the principles of economic accounting (*khozraschot*)?

To present-day readers these deviations may seem to be mere shades of meaning, changes in emphasis; after all, these practical propositions are mosaics which do not yet make up a consistent theoretical conception. That they were not random ideas will be clear from the circumstances of their emergence. In March–April 1918, namely, a sharp fight was going on within the Bolshevik Party about

<sup>16</sup> This is indicated by the following excerpts: "The centre of gravity of our struggle against the bourgeoisie is shifting to the organization of... accounting and control. Only with this as our starting-point will it be possible to determine correctly the immediate tasks of economic and financial policy in the sphere of nationalization of the banks, monopolization of foreign trade, the state control of money circulation, the introduction of a property and income tax satisfactory from the proletarian point of view, and the introduction of compulsory labour service... In order to proceed with the nationalization of the banks and to go on steadfastly towards transforming the banks into nodal points of public accounting under socialism, we must first of all, and above all, achieve real success in increasing the number of branches of the People's Bank, in attracting deposits, in simplifying the paying in and withdrawal of deposits by the public... In order to become stronger... and in order to be able to stand firmer on our feet... we must substitute for the indemnities imposed upon the bourgeoisie the constant and regular collection of a property and income tax, which will bring a *greater* return to the proletarian state, and which calls for better organization on our part and better accounting and control." (*Ibid.* pp. 657–658.)

<sup>17</sup> "In every socialist revolution, after the proletariat has solved the problem of capturing power, and to the extent that the task of expropriating the expropriators and suppressing their resistance has been carried out in the main, there necessarily comes to the forefront the fundamental task of creating a social system superior to capitalism, namely, raising the productivity of labour, and in this connection (and for this purpose) securing better organization of labour." (*Ibid.* p. 661.)

<sup>18</sup> *Ibid.* p. 663.



the Peace Treaty to be signed with the German imperialists. The dramatic turns of the debate between the advocates of the Peace Treaty – Lenin and his followers – and its opponents, the ‘left-wing communists’, are well known. Little attention is, however, usually paid to the internal political and economic–political aspects of these differences. Yet, after the ratification of the Brest Treaty in mid-March by the IVth Extraordinary Congress of Soviets the political fight shifted to these aspects. Lenin’s theses on the immediate tasks of Soviet power and his pamphlet were drafted precisely during the polemic with the ‘left-wingers’. Nor is it mere coincidence that among Lenin’s opponents we find N.I. Bukharin, L.N. Kritsman, E. A. Preobrazhensky, G.L. Pyatakov and others who later, at the time of War Communism, played outstanding roles in its practical and ideological foundation. It will be, therefore, instructive to acquaint ourselves with what they criticized, what arguments and counter-arguments were used by the ‘left-wingers’ against Lenin’s ideas.

The theses of the ‘left-wing communists’ on the evaluation of the prevailing situation are available from this debate; they were published almost simultaneously with Lenin’s programme-giving writing, in the first issue of *Kommunist*, the periodical of the Party Opposition, on April 20 (Lenin’s article appeared in *Izvestiya*, on April 28). Six of the 15 theses analyse the Brest Treaty, another three discuss external and internal power relations. Four of the six last points (10–15) are today of some interest:

“10. There are two roads open for the Party of the proletariat. One is to keep and consolidate the part of the Soviet state that has remained. This, as regards the economic aspect of the state, is today – since the revolutionary process is incomplete – only a transitory organization towards socialism (with the incompleteness of the nationalization of banks, with the capitalist form of enterprise financing, with a partial nationalization of enterprises, with the rule of small-scale holdings and small plots in the countryside, with the efforts of the peasantry to solve the land problem by distributing land), as regards, however, its political aspect, from the shell of the dictatorship of the proletariat supported by the poorest peasantry it may turn into a tool for the political rule of the semi-proletarian, petty-bourgeois masses and prove to be merely a stage of transition to the complete rule of finance capital.

“This road may be justified – in words – with the efforts to save, at least in ‘Great Russia’, the revolutionary forces and the Soviet power for the international revolution. In this case all forces are used for consolidating and developing the forces of production, for ‘organic construction’, renouncing the further crushing of capitalist relations of production and even partly reconstructing them.

“11. The possible economic and political programme that emerges if this course is consistently pursued, certain parts of which were proposed by the representatives of the right wing of the Party and partly even by those of the Party majority, is the following:

“In foreign policy the offensive policy of unmasking imperialism is replaced by the diplomatic manoeuvring of the Russian state between the imperialist powers. The Soviet republic concludes with them not only commercial deals but may establish also organic links, both economic and political, may use their military and political support (may conclude contracts on sending military instructors, possibly

raise loans and allow control within the country, sign agreements on the co-ordination of political steps, etc.).

“An economic policy conforming to this course must develop in the direction of bargaining with capitalist businessmen, – with both the ‘domestic’ ones and the international ones backing them, – as well as with the representatives of the ‘well-to-do’ strata of the countryside (the ‘co-operative’ ones). The denationalization of the nationalized banks, even in a disguised form, logically accompanies such agreements. This can be implemented in such forms as the founding of special (half-private, half-state) banks for individual industries (the foundation document of the bank of the milling industry has already been approved), or maintaining the extra-territorial character of the so-called ‘co-operative’ banks, or the renouncing of transition to the system of central social bookkeeping and consolidation of capitalist credit in state and half-state form.

“Instead of the transition from partial nationalizations to the general socialization of large-scale industry, the agreements with the ‘captains of industry’ will lead to the creation of such huge trusts comprising the main industries led by them, that may look state enterprises from without. Such a system of industrial organization serves as a social basis for development towards state capitalism and constitutes a transitional step leading to it.

“The policy of enterprise management based on the principle of wide capitalist participation and half-bureaucratic centralization is, of course, accompanied by such labour policy as is aimed at disciplining the workers under the banner of ‘self-discipline’, introducing labour conscription for the workers (the right-wing Bolsheviks have worked out a proposal on that), performance wages, longer hours of work, etc.

“The form of state administration must develop towards bureaucratic centralism, the rule of various commissars, the deprivation of local Soviets of their autonomy, and towards actually renouncing the type of the ‘Commune-state’ administered from below. A number of facts show that a definite tendency is developing in this direction (the order on the control of the railways, the articles by Latsis, etc.).

“12. ... Within the country this road strengthens the economic and political influence of the Russian and the international bourgeoisie, that is, the forces of the counter-revolution and of the groups of the intelligentsia who sabotaged the Soviet power. Under the conditions of a world-wide decline of the forces of production the concessions to the bourgeoisie cannot create a quick upswing in the economy in a capitalist form, excluding at the same time the possibility of using the remaining means of production in such a highly efficient and planned way as is conceivable only with the strongest socialization.

“The introduction of labour discipline, when the management of production is again given into the hands of the capitalists, cannot significantly increase the productivity of labour, but reduces the spontaneous class-activity of the proletarian class, its organization. It involves the danger that the labour class will be enslaved, and evokes dissatisfaction both in the backward strata and the vanguard of the proletariat...

“13. The proletarian communists believe that a different road of politics is necessary... The end of the ‘sharp’ stage of the civil war need not involve the pos-



sibility of a bargain with the surviving forces of the bourgeoisie or of the 'organic construction' of socialism, which is undeniably the urgent task of the present moment, and which can be performed only with the forces of the proletariat itself – with the participation of qualified technicians and administrators – and not with the co-operation of 'census elements' (those who had rights due to their property and qualifications in pre-Revolutionary Russia – *translator's note*) in some form or another...

"In international economic policy only commercial transactions, loans, technical aid can be allowed, without subordinating Russian capital to the control of foreign finance capital.

"The nationalization of the banks must be completed, both in the extensive sense (nationalization of the so-called 'co-operative' banks, hitherto left unaffected) and in the intensive sense (organization of central social bookkeeping and liquidation of the capitalist form of financing). Nationalization of the banks must be linked with the socialization of industrial production and with the total liquidation of capitalist and feudal remnants in the relations of production which hinder its planned and large-scope organization. The management of the enterprises must be handed over to mixed collegia composed of workers and technicians and these would be controlled by the local national economic councils. The whole economic life must be subordinated to the organizing influence of the councils, and these would be elected by the workers, without the participation of the 'census elements', but with that of the associations uniting the technical and administrative staff of the enterprises.

"Not capitulation before the bourgeoisie and their petty-bourgeois intellectual myrmidons, but the total annihilation of the bourgeoisie and the final crushing of sabotage. The final liquidation of the counter-revolutionary press and the counter-revolutionary bourgeois organizations. Introduction of obligation to work for skilled specialists and intellectuals, the organization of consumers' communes, restriction of the consumption of the wealthy classes and confiscation of their superfluous goods. Organization of the attack of the poorest peasants on the wealthy peasants in the countryside, development of the large-scale common farming and support of the transitional forms of cultivation by poor peasants, leading to the common farming."<sup>19</sup>

(The contents of the 14th and the 15th points, one-man versus collegiate management, and in general the problems of social self-management – although they held a central place in the debate and the raising of them by the Party Opposition cannot be classified as belonging to the features of later War Communism – will now, too, be left out of the scope of our investigation.)

If we try to find the substance behind the many ultra-revolutionary, often demagogic, phrases (demagogy is, e.g., conspicuous in the allusion which seems to regard economic relations with foreign capital as a selling out of the revolution, since a few pages later the 13th thesis comprising a positive programme intends to establish foreign-trade relations and to resort to foreign credit and technical aid),

<sup>19</sup> V.I. Lenin: *Sochineniya*, 3rd Russian edition. Vol. XXII. Moscow–Leningrad, 1931, Appendix, pp. 567–570.

we can see that the charges levelled against the 'right-wing' Bolsheviks aim at the following in the economic field:

- development of the productive forces before completing nationalization and 'general socialization' of large-scale industry;
- maintenance of the credit system (and, though unspoken: of money circulation) instead of shifting to centralized social bookkeeping;
- utilization of capitalist elements in the control of State enterprises ('State capitalism');
- the use of piece-rate wages.

According to the 'left-wingers', these measures threaten with the preservation and/or restoration of capitalism. Their positive proposals pushed into the forefront the 'completion' of the class war as interpreted by them, full nationalization in the towns, collectivization in the villages, instead of the 'capitalist' form of financing the introduction of central social accounting, the forced mobilization of specialists, the creation of consumers' communes. (It is not difficult to see that these proposals were all implemented or at least serious attempts were made at their introduction at the time of War Communism.)

Lenin dealt with these theses in his report to the (April 29th, 1918) session of the All-Russian Central Executive Committee of the Soviets, as well as in his article: '*Left-wing childishness and the petty-bourgeois mentality*'. As a matter of fact, he replied only to two of the economic charges of the 'left-wingers'. In connection with the advocacy of further nationalization, Lenin repeatedly stressed that socialization must be distinguished from confiscating capitalist property; mere 'determination' is not sufficient because a correct management of State property requires competence.<sup>20</sup> In his report he quoted the – obviously frequent – cases when delaying answers had to be given to workers' delegations demanding nationalization, because the competence necessary for managing enterprises and production was lacking.<sup>21</sup>

This is precisely why the debate came to be focused on the other charge, namely, the employment of bourgeois specialists. In his argument, Lenin started from the fact that the seizing of power and the expropriation of the capitalist class only cleared the way for socialism, but socialism still had to be constructed.<sup>22</sup> A level of productivity higher than under capitalism had to be attained. For this purpose every achievement of capitalist technology and culture had to be learned and this

<sup>20</sup> "Yesterday, the main task of the moment was, as determinedly as possible, to nationalize, confiscate, beat down and crush the bourgeoisie, and put down sabotage. Today, only a blind man could fail to see that we have nationalized, confiscated, beaten down and put down more than we have had time to count. The difference between socialization and simple confiscation is that confiscation can be carried out by 'determination' alone, without the ability to calculate and distribute properly, whereas socialization cannot be brought about without this ability." ('Left-wing' childishness and the petty-bourgeois mentality. In: V.I. Lenin: *Selected works*. Vol. II, p. 689.)

<sup>21</sup> "And when delegations came one after the other and complained that production would stop, I told them: you want us to confiscate the factory. All right, the order forms are ready, they can be signed in a minute. But you tell me: could you take production into your own hands, and have you worked out how much you produce, do you know the relations of your production to the Russian and the international market; and then it turns out that they have not yet learned this, and nothing has been written as yet about these things in the Bolshevik books, nor have the Menshevik books dealt with them for that matter." (V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 36, p. 258.)

<sup>22</sup> "... by overthrowing the landlords and the bourgeoisie we have made the way free but we have not built up the building of socialism." (*Ibid.* p. 261.)



could be learned only from bourgeois specialists. Those wishing to ignore this conceive – according to Lenin – socialism and its construction like Central-African natives.<sup>23</sup>

The problem of acquiring capitalist technology and organizational experience, of utilizing bourgeois specialists, was closely related to a wider problem: that of *State capitalism* in the period of transition. Present-day readers may look upon this association as forced since, in the wake of later developments, the NEP era, the East-European transformations following World War II, the experiences of Chinese development in the fifties, and on the basis of the textbooks summarizing these events, we are used to interpret State capitalism of the transitional period as governmental regulation of capitalist private enterprise, a kind of compromise and cooperation between the capitalist economy and the socialist State (inclusive of the dialectical antithesis: the fight between the two). Its various sub-species are usually identified by enterprise forms relying on the regulation, division or cession of proprietors' rights (concessions, leasing of State enterprises, mixed ownership, etc.). Later, at the time of the NEP, Lenin wrote in this sense, and this is what is usually considered as Lenin's conception.

But in the writings of 1918 we would look in vain for this interpretation. When Lenin was speaking about the necessity or usefulness of State capitalism, he did not think of a *modus vivendi* with capitalist economy, but of the application of State capitalist methods, experiences and principles of economic organization by the proletarian State *within the State sector*, and in connection with small-scale commodity producers, mainly with the peasantry.

This statement of ours will be clearer if we get acquainted with the circumstances under which the problem emerged. For instance, in Lenin's writing *The immediate tasks of the Soviet Government*, containing his original ideas and proposals, the term 'State capitalism' does not even occur. It was the 'left-wingers' who characterized the principles of economic organization proposed by Lenin as State capitalism – with a pejorative connotation. If we attentively read item 11 of their theses, quoted above, we can see that they considered the 'development towards State capitalism' to be based on the centralized system of industrial organization (trusts), on using bourgeois specialists, relying on material incentives (piece-rates), on applying forms of bank-financing – a system at variance with the principles of the 'Commune-State' as conceived by them. And Lenin, moving within this category of ideas, expounded his views on the necessity of State capitalism as an answer to the 'left-wingers'. We already know one of his arguments: socialism is inconceivable without adopting the technology and methods of modern large-scale industrial production. Another argument of his refers to the backwardness of the country and emphasizes the importance of State-capitalist methods and experiences in regulating the ocean of small-scale producers by the State.

But what is it that Lenin actually called the method or principle of State capitalism?

<sup>23</sup> "... when they say here that socialism can be also attained without learning from the bourgeoisie, I know that this is the psychology of people in Central Africa. We cannot conceive a socialism but which relies on every lesson of the great capitalist culture. Socialism without postal service, telegraph and machines is an empty phrase." (*Ibid.* p. 272.)

Lenin first used the word 'State capitalism' for characterizing the principles proposed by him at the April 29 session of the Central Executive Committee of the Soviets. Here State capitalism is a synonym for accounting and control, strict organization and labour discipline.<sup>24</sup> Further he called State capitalism the employment of bourgeois specialists directing enterprises, of capitalist managers – of course, under the control and supervision of workers, of the trade unions.<sup>25</sup> Since the State of the proletariat had to pay a 'tribute' for this in the form of high salaries to these specialists, this was a step backwards compared with the principles of the Paris Commune, but only a temporary one, until workers and peasants learned how to manage the State and the economy.<sup>26</sup> Arguing with Bukharin, Lenin unequivocally stated that this backward step meant State capitalism: "State capitalism consists in social relations, not in money. If, under the railway order we pay salaries of two thousand roubles, this is State capitalism."<sup>27</sup> If we add to this what Lenin said about the importance of one-man management and responsibility – as against the principle of collegiate management – then in this conception State capitalism is, as a matter of fact, a hierarchically divided professional State administration, enjoying differentiated personal incomes, aiming at maximum economic efficiency, applying the methods of central governmental regulation and control – well known mostly from the German State-capitalistic war economy – for controlling the sector of small-scale commodity production.

One may, of course, argue against this interpretation that in the heat of the debate Lenin could not exactly formulate or define what he wanted to say. Yet only a few days later, in early May 1918, we find the same ideas in his article published by *Pravda* in three parts: '*Left-wing' childishness and the petty-bourgeois mentality*. State capitalism recurs here again as a synonym for order and organization as opposed to petty-bourgeois anarchy, and the higher salary appears as a 'tribute'

<sup>24</sup> "Only the development of state capitalism, the careful organization of accounting and controlling, only the strictest organization and labour discipline can lead us to socialism." (*Ibid.* p. 258.)

<sup>25</sup> "This thing (i.e. the organization of production – *L.Sz.*) is at its best with the workers who already exercise this state capitalism; with the tanners, textile and sugar mill workers, because they know their production with the sobriety of a proletarian, they want to keep and expand it – since this contains the most of socialism. They talk like this: I cannot yet cope with such a task, I will put in capitalists, cede one-third of the places to them and will learn from them." (*Ibid.* p. 259.)

<sup>26</sup> "Remember what the earlier socialists wrote about the coming socialist revolution; it is doubtful whether transition to socialism is possible without learning from the organizers of the trusts, since it is they who were engaged in large-scale production. We need not teach them socialism, we must expropriate them, break their sabotage. These two tasks we have performed. We must force them to subordinate themselves to the workers' control... we need their knowledge, experience and their work, without these we cannot take over in practice the culture created by the old social relations and left to us as the material basis of socialism. If the left-wing communists have not yet recognized this, this is because they do not see real life and think up their slogans by confronting state capitalism with ideal socialism. We, however, must tell the workers: yes, this is a step backwards, but this must help us to find the suitable instrument. And this instrument is only one: organize yourselves all, organize the accounting of production, organize the accounting and controlling of consumption... We have not yet achieved that, and we pay the tribute by paying them higher salaries than had been paid to you by the capitalist organizers. We have not learnt this, but we must learn it, since this is the way to socialism, the only way – to teach workers the practical management of huge plants, the organization of large-scale production and large-scale distribution." (*Ibid.* pp. 262–263.)

<sup>27</sup> *Ibid.* p. 273.



paid to State capitalism.<sup>28</sup> A few pages later we find the same industries quoted as examples where workers successfully include the bourgeois specialists into the management of industry, and "establish State capitalism".<sup>29</sup>

This line of reasoning is seemingly contradicted by the fact that Lenin, having listed the different socio-economic sectors to be found in the transitional economy of Russia, such as the patriarchal economy, small commodity production, private-economy capitalism, and socialism, he also mentions State capitalism. Was State capitalism still a separate sector of production? The only explanatory, detailing sentence with Lenin runs as follows: "The shell of State capitalism (grain monopoly, State-controlled entrepreneurs and traders, bourgeois co-operators) is pierced now in one place, now in another by *profiteers*, the chief object of profiteering being *grain*."<sup>30</sup> As we can see, we have here State monopoly, and, in addition, State control in the sphere of turnover and not of production. (The figure of the State-controlled entrepreneur can be safely neglected, partly because he is never mentioned as State capitalist either here or elsewhere; partly because control over capitalist entrepreneurs in the framework of State laws and legal regulations can hardly constitute a sector distinct from private capitalism which was, after all, also controlled and regulated by the laws and other rules of the State.)

Lenin may, of course, have meant the capitalist enterprises coming under the law on workers' control, since they were (legally) nationalized only six weeks later, by the end of June 1918. But, precisely because of the brevity of the period, it is not probable that Lenin should have linked his long-term theoretical ideas to these enterprises operating even then practically without their capitalist owners. On the other hand – and we believe this decides the matter – Lenin, arguing with

<sup>28</sup> "Let us assume that a certain number of workers produce in a few days values equal to 1,000. Let us then assume that 200 of this total vanishes owing to petty profiteering, various kinds of embezzlement and the 'evasion' by the small proprietors of Soviet decrees and regulations. Every politically conscious worker will say that if better order and organization could be obtained at the price of 300 out of the 1,000 he would willingly give 300 instead of 200, for it will be quite easy under Soviet power to reduce this 'tribute' later on to, say, 100 or 50, once order and organization are established and once the petty-bourgeois disruption of state monopoly is completely overcome... State capitalism would be a gigantic step forward *even if* we paid *more* than we are paying at present (I took a numerical example deliberately to bring this out more sharply), because it is worth while paying for 'tuition', because it is useful for the workers, because victory over disorder, economic ruin and laxity is the most important thing; because the continuation of the anarchy of small ownership is the greatest, the most serious danger, and it will *certainly* be our ruin (unless we overcome it), whereas not only will the payment of a heavier tribute to state capitalism not ruin us, it will lead us to socialism by the surest road. When the working class has learned how to defend the state system against the anarchy of small ownership, when it has learned to organize large-scale production on a national scale, along state capitalist lines, it will hold, if I may use the expression, all the trump cards, and the consolidation of socialism will be assured." ('Left-wing' childishness and the petty-bourgeois mentality. In: V.I. Lenin: *Selected works*. Vol. II, pp. 692–693.)

<sup>29</sup> "The best workers in Russia... have begun to learn from the capitalist organizers, the managing engineers, and the technicians. ... the textile and tobacco workers and tanners are not afraid of 'state capitalism' or of 'learning from the organizers of the trusts', as the declassed petty-bourgeois intelligentsia are. These workers in the central leading institutions like Chief Leather Committee and Central Textile Committee take their place, by the side of the capitalists, *learn from them*, establish trusts, establish 'state capitalism', which under Soviet power represents the threshold of socialism, the conditions of its firm victory." (*Ibid.* p. 703.)

<sup>30</sup> *Ibid.* p. 691.

the 'left-wingers', clearly explained that, when it comes to including the capitalists into management, "management is entrusted" to them, "not as capitalists, but as technicians or organizers for higher salaries".<sup>31</sup> To put it more clearly: these are paid employees. The misunderstanding is often due, both with Lenin and the 'left-wingers', to the fact that frequently *earlier* capitalists, and specialists with a capitalist *past*, in general, of bourgeois descent or of bourgeois mentality are referred to as capitalists. But two or three months after capturing power, in the midst of huge social transformations, these 'slips of tongue' due to accustomed usage are only too understandable, the more so that, in the political sense, the use of such terminology was in those times not mistaken.

For our examination we can unequivocally conclude that also Lenin's concept of State capitalism changed over time. In the spring of 1918 by State capitalism he understood above all a professional government administration using the capitalists' knowledge regarding production organization, experience, methods and their specialists. Nor did he conceive of the methods of State-capitalistic regulation as having a market character, not even against the small commodity producing sector. This can be concluded from the frequently recurring idea that, as a matter of fact, the methods of socialist economic management had already been created by the German State-monopolistic war economy, and what remained to be done was that the socialist proletarian State should take the place of the Junker-bourgeois State.<sup>32</sup>

To sum up, we can revert to Stalin's statement quoted in the introduction to our study (see note 3 on p. 8) according to which Lenin "first substantiated the princi-

<sup>31</sup> "In connection with the restoration of capitalist management – these are the words with which the 'Left Communists' hope to 'defend themselves'. A perfectly useless defence, because, in the first place when putting 'management' in the hands of capitalists, the Soviet power appoints workers' Commissars or workers' committees who watch the manager's every step, who learn from his management experience and who not only have the right to appeal against his orders, but can secure his removal through the organs of Soviet power. In the second place, 'management' is entrusted to capitalists only for executive functions while at work, the conditions of which are determined by the Soviet power, by which they may be abolished or revised. In the third place, 'management' is entrusted by the Soviet power to capitalists not as capitalists, but as technicians or organizers for higher salaries. And the workers know very well that ninety-nine per cent of the organizers and first-class technicians of really large-scale and giant enterprises, trusts or other establishments belong to the capitalist class. But it is precisely these people whom we, the proletarian party, must appoint to 'manage' the labour process and the organization of production, for there are *no* other people who have practical experience in this matter." (*Ibid.* pp. 701–702.)

<sup>32</sup> "Here (in Germany) we have the 'last word' in modern large-scale capitalist engineering and planned organization, *subordinated to Junker-bourgeois imperialism*. Cross out the words in italics, and in place of the militarist, Junker, bourgeois, imperialist *state* put *also a state*, but of a different social type, of a different class content – a Soviet state, that is, a proletarian state, and you will have the *sum total* of the conditions necessary for socialism – ... history ... has taken such a peculiar course that it *has given birth* in 1918 to two unconnected halves of socialism existing side by side like two future chickens in the single shell of international imperialism. In 1918 Germany and Russia have become the most striking embodiment of the material realization of the economic, the productive and the socio-economic conditions for socialism, on the one hand, and the political conditions, on the other... While the revolution in Germany is still slow in coming forth, our task is to study the state capitalism of the Germans, to spare *no effort* in copying it and not shrink from adopting *dictatorial* methods to hasten the copying of it. Our task is to hasten this copying even more than Peter hastened the copying of Western culture by barbarian Russia, and did not refrain from using barbarous methods in fighting barbarism." (Some slips in the Moscow English edition had to be corrected. – Translator's note.) (*Ibid.* p. 694.)



ples of the New Economic Policy" already in early 1918. As we have seen, Lenin's *theoretical conception* could not yet be distinguished in those times from the basic tenets of the ideology of War Communism but his *practical approach* came into sharp conflict with the later ideologues of War Communism in a good many problems (the formulation of the double task of socialist construction; the marking out of the order, pace and the methods of socialist transformation; the emphasis on the importance of material incentives; efforts at the stabilization of the banking-system and money circulation, etc.). But this personal confrontation does not yet comprise, only forecasts, the later real confrontation: the confrontation of theoretical theses with practical experience.

Did Lenin formulate the principles of NEP in the spring of 1918? Of course, he did not; simply because the substance of NEP, the necessity of market methods, had not yet arisen in those days. Lenin – who never cared to justify himself retrospectively – clearly stated this three and a half years later, in the Autumn of 1921, when he explained the substance of the New Economic Policy to the Party: "We said that our task was today not so much to expropriate the expropriators, but rather to account and control, to raise the productivity of labour, to strengthen discipline. This is what we said in April and March 1918, but we did not at all raise what the relations of our economy would be with the market, with trade."<sup>33</sup>

#### THE METHODS OF TRANSITION TO PEACEFUL CONSTRUCTION IN 1920

The period of March–April 1918, indeed, proved to be merely a 'breathing-space'. Already in late May, the revolts of the Socialist Revolutionaries (SR's) started, then the Czechoslovak Legion joining the counter-revolution moved into action, and then came Kolchak, Denikin and the foreign interventionists. In the years of the civil war the main economic task was to supply the Red Army and the population. As we have seen, this could only be achieved with the help of a war economy based on the obligatory delivery of product-surpluses – and it was successfully done. In this sense, the fate of the revolution really depended on 'food dictatorship'.

Lenin's economic writings and speeches from the years of the civil war mainly contain a passionate explanation and defence of these forced war measures. We must, however, also see that whenever Lenin emphasized the unavoidable and forced nature of the measures, he never failed to stress that the liquidation of commodity exchange and trade, the equal distribution of goods and later, the system of obligatory work are elements in building a socialist economy.

In his first writing indicating the transition to war economy, in the dramatic proclamation of the 'crusade' for bread: *On the famine (letter to the workers of Petrograd)*, dated May 22nd, 1918, Lenin emphasized that, in a country devastated by imperialist war, every pound of bread had to be strictly accounted and equally distributed to secure mere physical subsistence, or else a catastrophe

<sup>33</sup> Report on the New Economic Policy to the VIIth Party Conference of the Moscow Province, on October 29, 1921. In: V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 44. Moscow, 1964, p. 199.

would ensue.<sup>34</sup> But here, too, we find a reference that this was no longer a 'general revolutionary' task, but a *communist* task, 'the real and chief prelude' to socialism.<sup>35</sup>

More than half a year later, in January 1919, he used the same reasoning to explain the necessity of obligatory delivery of surpluses, of prohibiting free trade. Lenin referred to the circumstances of a besieged fortress, to the lack of commodities, since under such conditions free trade would involve the raising of prices, would only meet the needs of a narrow wealthy stratum and mean famine for the masses.<sup>36</sup> In this sense, therefore, free trade was suppressed by the shortage of commodities – and Lenin referred to this as to an economic law.<sup>37</sup> But from a public answer of his given almost at the same time, in February 1919, in answer to a letter from a peasant, it is clear that he looked upon the prohibition of trade, not as a temporary and forced measure, but as a step towards the realization of socialism.<sup>38</sup>

We will not quote more examples to illustrate that in explaining the measures of war economy Lenin resorted to two kinds of arguments: he justified them with temporary, war-impelled necessity, on the one hand, and with the requirements raised by creating a socialist economy, on the other. But this dual aspect becomes conspicuous only if we know the antecedents and, particularly, the later developments. Lenin and his contemporaries could, namely, hardly feel such duality, since the practical needs in the years of the civil war were, indeed, in complete harmony with the theoretical theses, and the two obviously came to be confronted only after the end of the war. This is why the thread of the ideas expounded in the spring of 1918 was disrupted for some time, not as a result of deliberate decision, but because the changed situation demanded different solutions. But even if Lenin's writings of these two and a half years contain ideas conceived in the spirit of War Communism, these are not born from theoretical doctrinairism, but are due

<sup>34</sup> "Romanov and Kerensky left to the working class a country utterly impoverished by their predatory, criminal, and most terrible war, a country picked clean by Russian and foreign imperialists. Bread will suffice for all only if we keep the strictest account of every pound, only if every pound is distributed absolutely evenly... We are faced by disaster, it is very near." (On the famine. In: V.I. Lenin: *Selected works*. Vol. II, p. 712.)

<sup>35</sup> "Proper distribution of bread and fuel, their procurement in greater quantities and the very strict account and control of them by the workers on a national scale – that is the real and chief prelude to socialism. That is no longer a 'general revolutionary' task but a *communist* task..." (*Ibid.* pp. 714–715.)

<sup>36</sup> "If there is a shortage of food, it means... that if you were to sanction free trade when there is a shortage of vitally essential foodstuffs, the result would be frantic profiteering and prices would be inflated to what is called monopoly or famine prices, and only a few top people, with incomes considerably above the average, would be able to satisfy their needs at these fantastic prices, while the vast majority of the people would starve." (Speech at a joint session of the All-Russia Central Executive Committee, the Moscow Soviet and All-Russia Trade Union Congress, January 17, 1919. In: V.I. Lenin: *Collected works*. Vol. 28. Progress Publishers, Moscow, 1965, p. 394.)

<sup>37</sup> "That... economic law... says that when there is a food shortage, frantic profiteering is engendered by every step towards what is called free trade." (*Ibid.* p. 396.)

<sup>38</sup> "No, we do not want and will not retreat to restoring the power of the capitalists, the power of money, to the freedom of profiteering. We want to go forward, towards socialism, to the correct distribution of bread among all workers. All surplus grain shall be handed over at an equitable price to the Soviet state and the state shall distribute it equally to the workers." (Answer to the questions of a peasant. In: V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 37. Moscow, 1963, p. 481.)



to – sometimes hasty – generalizations of measures taken under the urgent pressure of war conditions.

Let us not forget that the apology for such war-communistic measures as the prohibition of free trade, the requisitioning of surpluses, the egalitarian distribution in kind, etc. were expounded by Lenin in explanations of political decisions that were a matter of life and death, and not in theoretical disputes and dissertations. These decisions were mostly justified by the interrelations of the then-prevailing situation. For illustration let us only refer to the paradoxical state that the measures regulating public supply were attacked in the years of the civil war by the opposition parties and groups (Mensheviks, SR's, anarchists, etc.) in the spirit of such demands as were later embodied in the programme of the NEP. And in the then-prevailing situation Lenin had to fight these proposals.

In his draft proposal submitted to the National Congress of Co-operatives in May 1919, the Menshevik V. V. Sher, for instance, proposed, among other things, the following: "A determined transition to free trade in all rationed foodstuffs; abandoning the system of monopolies and a steady broadening of free trade in all foodstuffs; declaration of the right of the peasantry to dispose freely of the product of their labour; the cessation of requisitioning and confiscation in the countryside; instead of fixed prices, the introduction of free bargaining between peasant agricultural organizations and the associations and organizations of workers and the urban population; the immediate reduction of the whole procurement machinery of the Commissariat for Food, and its subsequent liquidation."<sup>39</sup> If we remember that this proposal was proclaimed at the height of the civil war, it will be clear that its acceptance would have been fatal for the proletarian revolution, it would have left the Red Army and factory workers without bread, and would have amounted to surrendering to the counter-revolution. Lenin was fully justified in calling it 'Kolchak's economic programme', since under such conditions the freedom to trade would have amounted to freedom to restore capitalist rule.<sup>40</sup>

Similarly, under such conditions Lenin could justly regard the obligatory delivery of surplus grain as the main condition and guarantee of socialism. Answering the mockery and reprimands of German social democrats, above all of Kautsky, Lenin clearly stated what he had meant by this. There was no question of creating some kind of military or consumers' communism without developing production. The problem was to save the most important force of production, the worker, the toiling man in the devastated country: "We must save the workers even if they are unable to work. If we keep them alive for the next few years we shall save the country, save society and socialism. If we don't, we shall slip back into wage-slavery. This is how things stand with the socialism that springs not from the imagination of a peaceful simpleton who calls himself a Social-Democrat, but from actual reality, from the fierce, desperately fierce class struggle."<sup>41</sup>

<sup>39</sup> V.I. Lenin: *Sochineniya*. Vol. XXIV. Notes. Moscow, 1932, p. 781.

<sup>40</sup> "... in the midst of a proletarian revolution against the bourgeoisie, at a time when landowner and capitalist property is being abolished, when the country that has been ruined by four years of imperialist war is starving, freedom to trade in grain would mean freedom for the capitalists, freedom to restore the rule of capital. This is Kolchak's economic programme..." (Deception of the people with slogans of freedom and equality. May 19, 1919. First All-Russia Congress on adult education. In: V.I. Lenin: *Collected works*. Vol. 29. Progress Publishers, Moscow, 1965, p. 361.)

<sup>41</sup> *Ibid.* pp. 364–365.

Not even then did Lenin consider that compulsory delivery of surpluses would last for ever, but regarded them as a *loan* granted by the peasantry to the State of the workers until these could reconstruct industry and become capable of repaying the peasantry in terms of industrial articles.<sup>42</sup> But the character of loan involves two things. On the one hand, it is obvious that Lenin did not think that the delivery of surplus produce could be abolished immediately after the end of the war, but wanted to maintain it at least until the end of the reconstruction period. On the other hand, it seems that what he wanted to change was not the manner of collection but the fact of its being conducted without any countervalue, that is, he wanted to replace it not with trade and commodity exchange, but with a product exchange between town and countryside – in a way not explained in concrete detail. From this point of view, the obligatory delivery of surpluses can be regarded as an important, though rudimentary, element of the new socialist economic order. It thus becomes understandable why in his theoretical (though abandoned) work dated September 1919, entitled: *Economics and politics in the era of the dictatorship of the proletariat* Lenin mentioned the 'State-organized distribution of products in place of private trade', and as part of this the collection of grain by the State, among 'the first steps' made towards communism.<sup>43</sup>

Thus, the war economy of the civil war years brought about a momentary correspondence between the earlier theoretical assumptions about socialist economy and the everyday requirements of practice, while the military victory over the enemies proved that the methods of economic organization had been correct and purposeful – and it seemed that the theory also had stood the test. It is accordingly not surprising that after the conclusion of the civil war Lenin – together with other leaders of the Bolshevik Party – should have wished to utilize the methods and institutions found and tested during the war for the peaceful construction of socialism.

The first opportunity arose early in 1920 when, after shattering the armies of Kolchak and Denikin, it seemed that the civil war had come to an end. The first government decrees in January 1920, then the measures elaborated in greater detail, and finally the resolutions of the IXth Party Congress in April 1920 were designed to achieve peaceful construction with military methods. (The character and spirit of these resolutions are well rendered by the first Party document in this line: "Theses of the Central Committee of the RCP(b) on the mobilization of the

<sup>42</sup> "... it should not be difficult to understand that such a state cannot at this moment supply the peasants with goods, for industry is at a standstill. There is no food, no fuel, no industry... All class-conscious and sensible peasants, all except the rogues and profiteers will agree that *all surplus grain without exception* must be turned over to the workers' state as a loan, because then the state will restore industry and supply industrial goods to the peasants." (Letter to the workers and peasants apropos of the victory over Kolchak. In: V.I. Lenin: *Selected works*. Vol. III. Progress Publishers, Moscow, 1967, p. 261.)

<sup>43</sup> "We speak of 'the first steps' of communism in Russia... because all these things have been only partially effected in our country, or to put it differently, their achievement is only in its early stages... The same must be said of the state-organized distribution of products in place of private trade, i.e., the state procurement and delivery of grain to the cities and of industrial products to the countryside." (*Economics and politics in the era of the dictatorship of the proletariat*. In: V.I. Lenin: *Collected works*. Vol. 30. Progress Publishers, Moscow, 1965, p. 109.)



proletariat in large-scale industry, on the obligation to work, on the militarization of the economy and on the utilization of military units for economic purposes" – published in *Pravda* on January 22, 1920.) The ideas rest on two central pillars: the creation of labour armies and maintenance of the obligatory delivery of surplus grain.

Although Lenin was not the initiator of either of these measures in all probability (the idea of labour armies originated with Trotsky, who, as War Commissar, had to take measures *ex officio* on the further use of the several millions of staff of the victorious Red Army; while the system of grain delivery developed – as we know – under the pressure of war in the second half of May 1918), he adopted both ideas. If we read his speeches, writings dating from these months, the motives of Lenin's stand become clear on the whole.

The stressing and maintenance of military methods were obviously justified: the war could continue at any moment (as it did in April 1920 with the attack by the Poles and later by the White Guards of Wrangel) and thus the army could not be demobilized, but had to be used for the urgent reconstruction of establishments of military importance (railways, roads, coal mines). Secondly, Lenin also considered the end of the civil war as a particular 'breathing-space', since the young Soviet State was surrounded by a ring of hostile powers; he repeatedly emphasized the necessity of being prepared for new attempts at restoration through war, and therefore that reconstruction was also a military task ('the bloody war' is replaced by 'bloodless war'). Characteristic of this conception is the title of one of Lenin's proclamations calling for peaceful work: *A la guerre comme à la guerre* (February 8, 1920), in which he expresses his hope that "the workers and peasants will be able to create Red armies of peaceful labour..."<sup>44</sup>

But, even apart from the determining role of the prevailing external and internal military-political situation, certain particular features of his approach also had great weight. The ideas committed to paper in the spring of 1918 show that after the victory of the proletarian revolution Lenin turned all his attention to the *organizational* aspect of the economic tasks. The fact that he regarded the creation of the new socio-economic order as an organizational problem ('accounting and controlling', creation of labour discipline, etc.) also explains why the theoretical theses were not re-examined at that time. Like the other leaders of the new State, Lenin looked, above all, for the most successful and most efficient organizational methods for putting theoretical programmes into practice. Also the debates were centred on these problems. The civil war not only involved the necessity but – as mentioned – also proved the expediency of military methods and, in general, of the methods of war economy. Therefore, methods which had been looked for in the spring of 1918, may seem to have been found. Thus, it is not surprising that when in 1920 military methods came to the fore, Lenin perceived them as a logical continuation of the ideas of 1918. The shifting of emphasis from material incentives to military methods of disciplining did not affect the principles, but only organization, and therefore did not seem to violate continuity. In several speeches Lenin confronted the 1920 situation with that in the spring of 1918 and empha-

<sup>44</sup> V.I. Lenin: *Collected works*. Vol. 30, p. 348.

sized how steadfast and topical the then-accepted resolutions still were; there was only one single field where he perceived progress: the creation of labour armies.<sup>45</sup>

This line of reasoning also makes it clear why Lenin saw in the obligatory delivery of surpluses the much-sought-for way along which the economic building of socialism could finally proceed successfully.<sup>46</sup>

Otherwise, it is from this period (May 1920) that his marginal notes to Bukharin's book *The economics of the transition period* originate. It is interesting to note – and is even understandable, in the light of the actual situation – that, while most sharply criticizing Bukharin's mistakes in philosophy and methodology, and pointing out his incorrect views on the national problem, the theory of 'pure imperialism', etc., Lenin essentially approved of everything that the book said about the functioning of a socialist economy. It is precisely the parts dealing with the categories of the transition period and its practical problems that carry most of Lenin's appreciative remarks; in fact, after Chapter X, analysing the role of 'ex-

<sup>45</sup> "The chief feature of the present phase is the transition from war tasks... to tasks of peaceful economic development. And it should be mentioned right away that this is not the first time that the Soviet government and the Soviet Republic are passing through such a phase. We are reverting to this question once more – this is the second time since the dictatorship of the proletariat was established that history has brought the work of peaceful construction into the foreground. The first time was at the beginning of 1918... It seemed as if we could proceed to the work of peaceful construction. I had occasion to make a report to the All-Russia Central Executive Committee at that time, too. That was on April 29, 1918, nearly two years ago. The Central Committee adopted a number of theses based on my report and had them published. I remind you of this because even at that time the theses enumerated a number of questions – on labour discipline and so forth – which are included in the agenda of this Congress. There is a similarity between that time and the present. I assure you that our attention is again being concentrated on the disputes and differences which were aired in the trade union movement two years ago... the primary question taken up by the Communist Party and stressed in a number of resolutions (particularly that of April 29, 1918) was the need for widespread propaganda of and greater insistence on labour discipline. – ... This must now be borne in mind, if the decisions adopted by the recent Party Congress and the general tasks that confront us are to be understood. And this is not an answer to questions that have only just arisen; it has its deep roots in the very conditions of the period in which we live. Let anyone who doubts this compare the situation with what it was two years ago, and he will understand that the present phase demands that all attention be devoted to labour discipline, to the labour armies, although two years ago there was no mention of labour armies." (Speech delivered at the third All-Russia Trade Union Congress, April 7, 1920. In: V.I. Lenin: *Collected works*. Vol. 30, pp. 503–504.)

"This is the first campaign (the procurement campaign in autumn 1920 – L.Sz.) when we can hope that, as a result of the doubtless improvement in the transport system, the government will dispose of such food stocks – between 250 and 300 million poods of grain – that we shall not merely be talking about socialist construction... but shall actually operate with real armies of labours – ... we made attempts at changing over to economic construction, both in the spring of 1918 and, on a broader scale, in the spring of this year when the question of labour armies was posed in practice." (Our foreign and domestic position and the tasks of the Party. In: V.I. Lenin: *Collected works*. Vol. 31. Progress Publishers, Moscow, 1966, pp. 416–417.)

<sup>46</sup> "The situation now demands that we make a sharp and swift turn towards the creation of a basis for peaceful economic development. This basis must be the acquisition of great stocks of food and their transportation to the central region; it is the task of the railways to deliver raw materials and provisions. From August 1917 to August 1918 we collected 30 million poods of grain, in the second year 110 million, and now in five months 90 million have been collected by our Commissariat of Food, collected by socialist, not capitalist methods, by compulsory delivery of grain by the peasants at fixed prices, and not by selling on the free market – and this means that we have found the way. We are certain that it is the correct way and that it will enable us to achieve results which will ensure tremendous economic development." (Report on the work of the All-Russia Central Executive Committee and the Council of People's Commissars... February 2, 1920. In: V.I. Lenin: *Collected works*. Vol. 30, pp. 332–333.)



tra-economic' coercion he wrote: "Well, this is an excellent chapter!"<sup>47</sup> (This does not contradict the fact that quite a few Lenin's critical remarks on the *theory* of socialist economy are of great value. What we have in mind, first of all, is his thesis that the ruin of capitalism does not mean the end of political economy,<sup>48</sup> or that after the disappearance of antagonisms contradictions will still remain under socialism.<sup>49</sup> In connection with the transition from capitalism to socialism it is highly important that Lenin – as opposed to Bukharin – continued to emphasize: there is a possible transitional form of State capitalism where the proletariat, in possession of State power, 'takes over' the capitalist machinery of economic control and also makes use of capitalists – although Lenin made certain reservations that excluded this possibility under the conditions then prevailing in Russia. As he observed: "This is possible in e.g. two or three smaller states, if the workers have already been fully victorious *previously* in the 4–5 greatest and most developed ones."<sup>50</sup>)

This 'organizational' approach to socialist construction is the only explanation that can be offered as to why the extension of direct State control, of State coercion to the sphere of agricultural *production*<sup>51</sup> should have been regarded as a solution, rather than creating a material interest, when after the summer and autumn of 1920 (the real end of the civil war) it transpired that this way was not possible, it would not lead out of economic ruin, from the ever deepening crisis of private agriculture, because the peasantry was not interested in production. It was in this sense that the VIIIth Congress of Soviets on December 28, 1920, passed a resolution on the measures to be taken for developing agriculture. This decree was preceded by several months of preparation, and also the Congress discussed it for more than a week, since it saw in it the cornerstone of economic policy to be pursued in the coming period. Its substance was to impose planned obligations on individual farmers, to introduce compulsory sowing according to central plans (area to be sown, the methods of cultivation, etc.), to prescribe central stockpiling of seeds, their storage and reallocation. The fulfilment of these plans should have been supervised by the sowing committees of the provinces, regions and districts. Since the resolution is little known today, let us quote its main points *verbatim*:

"Acknowledging that agriculture is the most important branch of the Republic's economy, and obliging every organ of the Soviet power to provide many-

<sup>47</sup> V.I. Lenin: *Zamechaniya na knigu N.I. Bukharina: Ekonomika perekhodnogo perioda*. p. 396.

<sup>48</sup> Cf. *Ibid.* p. 349.

<sup>49</sup> Cf. *Ibid.* p. 357.

<sup>50</sup> *Ibid.* p. 377.

<sup>51</sup> This is well reflected in a series of articles written in *Pravda* in the autumn of 1920 by N. Osinsky, (V.V. Obolensky) – then Deputy People's Commissar for Agriculture. A few quotations: "The state demands that all surplus product exceeding a definite consumption quota should be delivered. And, for the time being, the state is incapable to give means of production or consumer goods in exchange. Therefore, the 'stimulus' of the individual small farmer to produce above his own personal consumption quota and the needs of his own farm, has faded... State interference must be extended to the agricultural production by private farmers. The faded stimuli must be complemented by the tools of state regulation relying on the industrious farmers and supporting them with state means. The crisis of the peasant economy affects above all the sown area and the yields. Therefore, the state must take into its own hands first of all the regulation of sowing and land cultivation." [Quoted by M. Saveliev: *Ekonomicheskie zametki. Narodnoe Khozyaistvo*, 1920, No. 17 (November), p. 28.]

sided aid to peasant land cultivation, the worker-peasant power declares at the same time that correct land cultivation is a great state duty of the peasant population. . .

"The bad harvest afflicting the country in 1920, as well as the draught menacing according to certain scientific prognoses also in 1921 and other signs demand particularly great efforts and close association in order to prepare and carry out the 1921 agricultural campaign according to a uniform plan and under uniform control.

"In view of all these the All-Russia Congress of Soviets of Worker's, Peasant's, Red Soldier's and Cossacks' Deputies resolves:

"1. In order to give the widest support to the peasant farming, to centralize all means and forces to this end and to control the agricultural campaign, committees dealing with the expansion of sowing and the improvement of land cultivation (sowing committees) must be set up in the provinces, regions and districts with a membership not exceeding five, inclusive of the obligatory representation of the peasant population. . .

"6. In order to support, by state means, the efforts of the best farmers at expanding the sown area, the sowing of the area assigned in the state plan for sowing is declared to be a state task.

"7. The national plan of obligatory sowing shall be worked out by the Commissariat for Agriculture, in agreement with the Commissariat for Food and the Supreme Council for National Economy, with the participation of the Central Statistical Office. The plan shall be submitted for approval to the Council of People's Commissars by January 15, 1921. This plan must be passed down to the local authorities not later than by January 20.

"The sowing plans of the regions, districts and communes shall be worked out under the national plan by the sowing committees of the provinces, regions and districts; previously the plans shall be discussed by special congresses. . .

"9. In order that the whole spring and autumn area should be sown without fail and to hinder profiteering with spring seeds as well as to prevent careless farmers from damaging the seeds, the stocks of seeds covering the needs of the economy held by the peasants are declared to be inviolable seed funds, and measures must be taken to preserve the seed funds and to distribute them within the province. . .

"12. In order to support, by state means, the efforts of the best farmers aimed at improving land cultivation, the sowing committees of the provinces may prescribe – under the guidance and control of the Commissariat for Agriculture – obligatory rules for the main methods of cultivation of arable land, for soil amelioration, for sowing, as well as for maintaining the fertility of the soil. . .

"17. In order to reward the countryside communities and other agricultural associations as well as individual farmers working with great industry and achieving success in the exact fulfilment of the sowing plans as well as in meeting the prescriptions for land cultivation, the following special premia should be introduced: (a) facilities in the supply with means of production and consumer goods, (b) raising the ration of foodstuffs to be left with farmers on the delivery of products, (c) facilities when meeting other obligations."<sup>52</sup>

<sup>52</sup> *Direktivy KPSS*, pp. 191–196.



Starting from the motivation we have reviewed, Lenin also supported the maintenance and expansion of this extreme form of war-communistic managerial methods under conditions of peaceful construction. In his report to the Congress, and in his later speeches, he laid great emphasis on the fact that in a country of small peasants peasant farming can only be promoted by relying on State compulsion, with huge propaganda and organizational efforts.<sup>53</sup>

He believed in this even in early 1921, when economic ruin and the lamentable situation of agriculture brought into the forefront the bitterness of the peasantry in ever sharper form. It had become obvious that the relationship with the peasantry had to be re-examined. But the solution was not easily forthcoming. Lenin's speech at the Moscow Conference of the Metal-Workers, on February 4th, 1921, clearly showed that he realized the graveness of the situation and he already held a revision and modification of the methods to be necessary. Yet he believed that the key to the success of the immediate spring sowing campaign lay in implementing the resolutions adopted and no other way could, for the moment, lead to improvement in the situation. As he bluntly put it: "To cancel the sowing campaign would be like jumping out of a fifth story window."<sup>54</sup> But four days later, on February 8th, the session of the Politbureau was already discussing whether the obligatory delivery of produce surpluses should be replaced by a tax in kind and the free sale of the remaining produce should be allowed in the framework of local trade. The socialist revolution avoided suicide precisely by changing the system of management that was running into a blind alley.

#### INTERPRETATION OF THE TRANSITION TO THE NEP

Thus the transition to the New Economic Policy occurred not according to some preliminary plan, but under the pressure of the internal economic and political situation having turned critical in the spring of 1921: the cumulative starvation of the war years, declining peasant production were accompanied by catastrophic droughts and led in 1921–22 to a famine unparalleled in 20th century Europe. An increasing number of peasant revolts began to threaten the centres of the revolution, an ill-boding messenger of which was the Kronstadt revolt of the sailors. A solution could no longer be delayed, and the Party took action in time: when on March 17, 1921 on the melting ice of the Baltic, 300 delegates of the Xth Party Congress attacked at the head of Red Army units the Kronstadt fortress, their fel-

<sup>53</sup> "... here is what I particularly want to bring home to you now that we have turned from the phase of war to economic development. In a country of small peasants, our chief and basic task is to be able to resort to state compulsion in order to raise the level of peasant farming... We must devote all our forces to this and see to it that the apparatus of compulsion, activated and reinforced, shall be adapted and developed for a new drive of persuasion... We are now declaring war on the relics of inertness, ignorance and mistrust that prevail among the peasant masses... unless we succeed, unless we achieve a practical and massive improvement in small-scale peasant farming, there is no salvation for us. Unless this basis is created, no economic development will be possible and the most ambitious plans will be valueless." (The Eighth All-Russia Congress of Soviets, December 22–29, 1920. Report on the work of the Council of People's Commissars, December 22. In: V.I. Lenin: *Collected works*. Vol. 31. Progress Publishers, Moscow, 1966, pp. 504–505.)

<sup>54</sup> V.I. Lenin: *Collected works*. Vol. 32. Progress Publishers, Moscow, 1965, p. 111.

low delegates remaining in Moscow had already adopted unanimously Lenin's proposal about the introduction of the tax in kind.

The replacement of compulsory delivery of all grain surpluses by a tax on produce in kind was no new measure, since the Soviet government had already passed a resolution (on October 30, 1918) on the introduction of the tax in kind but in those early days this had had merely a symbolic importance. We have also seen that the freeing of trade was an old demand of the opposition parties, and had an objectively counter-revolutionary character under conditions of civil war. Nor were such proposals unknown at the end of the war to the Bolshevik Party. (For example in February 1920 – already before the IXth Congress – in his proposal submitted to the Central Committee, entitled: "The basic problems of supply and land policy" Trotsky moved that a produce tax should be introduced instead of the compulsory delivery of surpluses, but he was outvoted by 4:11 at that time,<sup>55</sup> and, as we have seen, Trotsky himself tried to find a way out in the militarization of the economy, at the IXth Congress and later.) It is a great historical merit of Lenin that, on the one hand, he placed the problem on the agenda at a tactically most suitable moment when the situation had matured for the necessity of the change and for the idea of the reform to become obvious and acceptable to the masses of the Party, without the reform being belated. On the other hand, the introduction of the NEP did not remain for Lenin a mere tactical manoeuvre prompted by circumstances, but impelled him to revise all political and economic methods of management that had been used up to that time, and to revalue the whole strategy of socialist construction. This could not, of course, be done overnight; but Lenin had the courage, in face of new experience, constantly to correct himself and make changes on the way that transgressed even the original ideas of the reform.

As a matter of fact – so far as this can be gathered from the short resolution of the Xth Congress and from the debate preceding it – the original idea had set relatively restricted goals: in order to stimulate peasants to produce, the State would collect only part of the agricultural surplus produce without a countervalue (about half of it) in the form of a tax, the rest would be left to the peasants freely to dispose of, including the possibility of exchange with local State and co-operative bodies and private producers (artisans).<sup>56</sup> The opening of the possibility of exchange was the crucial point involving a revision of the whole earlier system of management and its concepts, and giving birth to the New Economic Policy proper.

If we attentively read Lenin's speeches and articles dated the spring of 1921 (March–April), above all his speeches to the Xth Party Congress and the Xth National Party Conference, his brochure *The tax in kind*, etc., we shall find him using arguments to explain transition to the NEP, emphases and even assessment different in several respects from what can be found in his later writings.

For example, he still examined the *reason* for introducing the New Economic Policy exclusively from the standpoint of the alliance between workers and peasants, emphasizing that the introduction of the tax in kind was 'primarily and main-

<sup>55</sup> Cf. *Protokoly X s'ezda RKP(b)*. Moscow, 1933, pp. 81, 352, 848; *Protokoly XI s'ezda RKP(b)*. Moscow, 1936, p. 286.

<sup>56</sup> Cf. *Direktivы KPSS*, pp. 206–207.



ly a political question',<sup>57</sup> since it affected the relation between the two classes, on which the fate of the revolution depended. The 'fundamental and principal reason'<sup>58</sup> for the change was the extremely acute crisis of the peasant farming, which was due to take into account the interests of peasants as private producers in the results of their production. Thus, 'maximum concessions' had to be made<sup>59</sup> to the small producers and the best conditions secured for giving scope for their efforts. In this sense, the tax in kind was a concession made to the commodity-producing nature of the middle peasant, and created an interest in production for the peasantry (and, for the time being, the peasantry alone!).

*Evaluating earlier economic policy*, Lenin then attributed War Communism exclusively to the needs of the war, and did not consider it an economic policy but only a makeshift measure which well served its purpose in the years of civil war,<sup>60</sup> but had now lost its validity. This opinion of his became already clear when he submitted to the Congress the proposal on the tax in kind. For instance V.P. Milyutin, deputy president of the Supreme Council for National Economy, in his contribution – correctly – stated that the introduction of the tax in kind would involve changing the whole previous economic system. "... The problem of the tax", said Milyutin, "is not only a problem of our policy, but also one of our economy. The question is not only to conclude an agreement with the peasantry, but also to change the economic policy which we had systematically and unfalteringly followed in the last two years. From the viewpoint of the organization of the economy, the system of obligatory delivery of surpluses – particularly in its context with the order on sowing obligation – constitutes a consistent organization, in which the State power denotes the area of obligatory sowing, establishes the amount of surplus produce to be collected from the villages and distributed."<sup>61</sup> However, in answer to Milyutin, Lenin emphasized that the system developed in the civil war had not been dictated by economic needs and considerations, but by military ones, and had been the only possible and correct policy. "That was not a harmonious economic system; it was not a measure called forth by economic conditions, but one largely dictated to us by war conditions."<sup>62</sup> He repeated the same idea almost a month later, when he denied that the earlier economic policy had had its own economic system, its plan and emphasized its emergency character.<sup>63</sup>

<sup>57</sup> Report on the substitution of a tax in kind for the surplus-grain appropriation system to the Xth Congress of the RCP(b). In: V.I. Lenin: *Collected works*. Vol. 32, p. 214.

<sup>58</sup> Report on the tax in kind delivered at a meeting of secretaries and responsible representatives of RCP(b) Party cells of Moscow and Moscow Province, April 9, 1921. In: V.I. Lenin: *Collected works*. Vol. 32, p. 287.

<sup>59</sup> Report on the political work of the Central Committee to the Xth Congress of the RCP(b). In: V.I. Lenin: *Collected works*. Vol. 32, p. 188.

<sup>60</sup> "Under this peculiar War Communism we actually took from the peasant all his surpluses – and sometimes even a part of his necessities – to meet the requirements of the army and sustain the workers... But for that we would not have beaten the landowners and capitalists in a ruined small-peasant country... We deserve credit for it (War Communism – *L.Sz.*). Just how much credit is a fact of equal importance. It was war and ruin that forced us into War Communism. It was not, and could not be, a policy that corresponded to the economic tasks of the proletariat. It was a makeshift." (The tax in kind. In: V.I. Lenin: *Collected works*. Vol. 32, pp. 342–343.)

<sup>61</sup> *Protokoly X s'ezda RKP(b)*, p. 437.

<sup>62</sup> V.I. Lenin: *Collected works*. Vol. 32, p. 234.

<sup>63</sup> Cf. Report on the tax in kind delivered at a meeting of secretaries and responsible representatives of RCP(b) cells of Moscow and Moscow Province, April 9, 1921. In: V.I. Lenin: *Collected works*. Vol. 32, pp. 290–291.

In our opinion, the key to the problem is – and this also explains why the later 'official' interpretation of War Communism and of introduction of NEP, quoted also in our Introduction, stopped short at these early Leninian evaluations – that Lenin then perceived the *purpose of introducing the tax in kind* not yet as a transition to commodity production, that is, to a market economy, but as promoting exchange of goods, which he considered as the economic substance, the basis of socialism. Already at the Xth Congress he indicated several times that in a developed industrial country direct transition to communism would be possible.<sup>64</sup> Since Russia was in the main a country of small peasants, several transitional forms were needed for the realization of socialism, and one of these was the regular exchange of goods between State industry and small peasant producers, until socialist reorganization of agriculture into large farms had been achieved.<sup>65</sup> As can be seen, this is really a repetition of 1918 reasoning, and thus the introduction of the tax in kind may have seemed a continuation – with some digression – of 1918 ideas. And this smaller digression was the War Communism due to the war which, indeed, did not represent any alternative to this reasoning, but had to be considered much more in its subsequent implementation.

But the spring of 1921 was, nevertheless, no simple return to 1918. Although Lenin denoted as a desirable objective that goods should be exchanged between State industry and small-scale agriculture (even if Lenin speaks in several places about exchange, even commodity exchange, we must think of product exchange, since he mostly meant barter trade without money), it was clear to him that large-scale State industry alone could not satisfy the needs of the peasantry, and he accordingly deemed it indispensable that private exchange should be made legal and free – true, originally only on a local scale.

This measure, seemingly not of great importance (let us not forget: the tax in kind was nothing more than that obligatory delivery, well known also in Hungary in the fifties, which Lenin had justly called a moiety of the old surplus delivery, when he characterized the Janus-faced character of the new system<sup>66</sup>), yet it involved a discarding of certain dogmas. It was first necessary to overcome the fear that private exchange, even though restricted and controlled by the State, could

<sup>64</sup> "Direct transition to communism would be possible if ours were a country with a predominantly – or, say, highly developed – large-scale industry, and a high level of large-scale production in agriculture..." (V.I. Lenin: *Collected works*. Vol. 32, p. 233.)

<sup>65</sup> "In the event of a workers' revolution in a country with a predominantly peasant population, with the factories, works and railways taken over by the working class, what, in essence, should be the economic relations between the working class and the peasantry? They should obviously be the following: the workers producing in the factories and works, which now belong to them, all that is necessary for the country – and that means also for the peasants, who constitute the majority of the population – should transport all these things on their railroads and river vessels and deliver them to the peasants, in return for surplus agricultural produce... This is a basis for the economy of a country which has adopted socialism. If peasant farming is to develop, we must also assure its transition to the next stage which must inevitably be one of gradual amalgamation of the small, isolated peasant farms – the least profitable and most backward – into large-scale collective farms." (Report on the tax in kind. In: V.I. Lenin: *Collected works*. Vol. 32, pp. 287–288.)

<sup>66</sup> "... the tax in kind... is a measure in which we see something of the past and something of the future... the tax contains a moiety of the old appropriation system and a moiety of that which is the only correct system, namely, the exchange of the manufactures of big socialist factories for the products of peasant farming through the medium of food supply organizations of the working-class State and workers' and peasants' co-operative societies." (*Ibid.* pp. 288–298.)



hide dangers for socialist State power, since it threatened with the rebirth of capitalism. The arguments with which Lenin dispelled these political fears are well known. The other dogma to be discarded was an identification of government regulation with monopoly excluding the market. Already at the Xth Party Congress M.I. Frumkin, Deputy Commissar for Food, levelled this argument against Lenin: "By renouncing the monopoly, i.e. allowing local trade in grain, we are completely abandoning the possibility of the State actually holding grain in its own hands and regulating its distribution. This will have fatal consequences for the workers."<sup>67</sup> He proposed that only State organizations should be entitled to buy the produce that remained after delivery of the tax in kind. Lenin, in his report submitting the proposal, had warded off in advance this argument (he must have obviously been aware of the counter-proposal) by referring to a single viewpoint: the interests of production. "Theoretically speaking, State monopoly is not necessarily the best system from the standpoint of the interests of socialism. A system of taxation and free exchange can be employed as a transitional measure in a peasant country possessing an industry – if this industry is functioning – and if there is a certain quantity of goods available. Exchange is an incentive to the peasant."<sup>68</sup> Lenin therefore criticized also War Communism on this account, since it had transgressed the correct measure by restricting local turnover and this certainly was a mistake.<sup>69</sup>

As a summary, it may be said that the introduction of the tax in kind was the first step towards criticizing and revising the previous system of management. By putting economy relations with the largest sector of the economy on a market basis, even if this was restricted to local dimensions and no more than partial, and by adopting the material incentive of the producer as the main tool for developing production within this sector (for the time being, even this referred only to a single branch of the economy, since e.g. the resolution of the Xth Congress, adopted almost simultaneously, about the role of the trade unions emphasized the principle of egalitarianism as the basis of industrial wage policy<sup>70</sup>), not only were the two most important fundamental principles of war-communist management discarded, but a wedge was driven into the conception of socialist management, which had been a rigid dogma for several decades – true, only as regards the methods of socialist construction.

Why do we not find in Lenin a comprehensive conception of this revision in the first three months of the New Economic Policy? Let us remember: Lenin was not only a theoretician, but also a practical politician, a statesman. He not only had to revise his own views, but had to have the outcome of this revision accepted by the rank and file of the Party, by the millions of the masses, so that the new ideas could become realized in social activity. As a good politician, he must have known that sharp, too radical, turns frequently cause incomprehension, and that running ahead may be as fatal as delay. We believe, this also explains why Lenin so strongly

<sup>67</sup> Protokoly X s'ezda RKP(b), p. 436.

<sup>68</sup> V.I. Lenin: *Collected works*. Vol. 32, p. 226.

<sup>69</sup> "... we overdid the nationalization of industry and trade, clamping down on local exchange of commodities. Was that a mistake? It certainly was. – In this respect we have made many patent mistakes, and it would be a great crime not to see it, and not to realize that we have failed to keep within bounds and have not known where to stop." (V.I. Lenin: *Collected works*. Vol. 32, p. 219.)

<sup>70</sup> Cf. *Direktivы KPSS*, pp. 214–215.

ly emphasized in the first few months that the introduction of the tax in kind did not mean a radical turn in policy,<sup>71</sup> and that this was why he stressed legal continuity with previous economic policy, and why he characterized War Communism then as a unique détournement.

The development launched by the reform in the spring of 1921 soon exceeded the original targets. The emergence of local trade led to the development of a wide internal market; the logic of modern economy rapidly burst the primitive framework of barter and demanded modern money and credit relations. The Soviet State recognized its importance in time and, already in the summer of 1921, it took the first steps to normalize monetary and credit turnover. (One of the most important ones was the creation – as a matter of fact, the reopening – of the State Bank in early October 1921). Also the blood circulation of industry was resumed, State enterprises began to rely on market possibilities in their purchases and product sales. The first push in this direction was given by the order issued in April about premia in kind for workers, which enabled factories to contribute to the supply of their workers with consumer goods procured by selling a part of their products on the free market.

These economic developments required a deeper revaluation of the concept of methods of management. This was done by Lenin in the autumn of 1921. In a few speeches and newspaper articles originating from that period (*Fourth anniversary of the October Revolution; The New Economic Policy and the tasks of political public education committees; Report and concluding words on the VIIth Party Conference of the Moscow Province; The importance of gold now and after the complete victory of socialism*) a comprehensive evaluation of both earlier guidelines for economic policy and of the NEP concept can be found in a clear and unequivocal form.

First of all, Lenin distinguished not three but two stages of development in the economic policy of the Soviet State: the first lasted from the beginning of 1918 to the spring of 1921, the second began in the spring of 1921.<sup>72</sup> The first was characterized by the idea – perhaps not even stated openly – that direct transition to communist production and distribution was possible with possession of State power.<sup>73</sup>

It is interesting that in this respect Lenin now no longer perceived any qualitative difference between the ideas of 1918 and the practice of the civil war years. As stated at the Moscow Party Conference: "I intentionally re-read what we had written, e.g. in March and April 1918, about the tasks of our revolution in the field of socialist construction and have convinced myself that this assumption (about

<sup>71</sup> "The tax in kind and attendant changes in our policy are often interpreted as a sign of a drastic reversal of policy. It is not surprising that this interpretation is taken up and made most of by the white-guard, particularly the Socialist-Revolutionary and Menshevik press abroad... this sort of perplexity may have spread to some extent even in this country and created what is largely a wrong conception of the significance of the change that has been brought about and of the character of the new policy." (Tenth All-Russia Conference of the RCP(b), May 26–28, 1921. Report on the tax in kind. In: V.I. Lenin: *Collected works*. Vol. 32, pp. 403–404.)

<sup>72</sup> Cf. V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 44, p. 197.

<sup>73</sup> "We thought that with the obligatory delivery of surpluses we should get from the peasants the quantity of grain needed, distribute it among the factories – and we should have communist production and distribution." (V.I. Lenin: *The New Economic Policy and the tasks of political public education committees*. *Ibid.* p. 157.)



the possibility of direct transition to communist production relations—L.Sz.) really had been present.”<sup>74</sup> As a difference he mentions that, at the beginning of 1918, a much slower gradual transition was foreseen, but as it was believed that the new socio-economic order had been already created,<sup>75</sup> the main task was believed to lie in the solution of organizational problems (accounting, control, increasing the productivity of labour, the strengthening of discipline). The problems of market, of trade and, in the wider sense, of the interest of producers, did not even emerge.<sup>76</sup>

What Lenin regarded as the specific feature of the practice of War Communism was that, since the resistance of the Russian bourgeoisie had prevented a more cautious, gradual transition to the new order, the ‘logic of the struggle’ dictated the ‘most extreme and desperate methods’ of shifting to socialist bases of production and allocation. Lenin here unequivocally characterizes War Communism as an ‘attempt’ and, in addition, ‘a failed attempt’ at creating the new social order ‘by the shortest, quickest and most immediate method’.<sup>77</sup>

Such an evaluation of War Communism no longer met with undivided consensus. For example at the Moscow Party Conference in October 1921, several contributors (V. G. Sorin, I. N. Stukov, Yu. Larin and others) voiced their displeasure at the self-critical—in their eyes unfounded—investigation by Lenin, called by them ‘concoction of mistakes’. For the sake of illustration let us quote from one such contribution. According to Sorin: “True, in the past we made many mistakes, but this does not justify all our past activity being called a great mistake. We were right in principle. The war situation compelled us—like many other countries—to implement a certain policy, otherwise we should have lost the war. Comrade Lenin was himself of this standpoint in March of this year and now he repudiates it. After his reports and his latest article in *Pravda* (Fourth anniversary of the October Revolution—L.Sz.) most of our comrades in the Party have the impression that our whole old policy has to be condemned because it was mistaken. This is incorrect in my opinion. Under the conditions of a country besieged we resorted, and had to resort to extraordinary measures. We could have no other policy.”<sup>78</sup> Larin and Stukov challenged the further withdrawal from the spring resolutions in product exchange—the revival of trade and money circulation. In his answer to his critics Lenin referred not to the letter of the resolutions but to the

<sup>74</sup> V.I. Lenin: Speech on the VIIth Party Conference of the Moscow Province, October 29, 1921. — *Ibid.* pp. 197–198.

<sup>75</sup> “We assumed that, having created state production and state distribution, we directly entered an economic system of production and distribution different from the preceding one.” (*Ibid.* p. 199.)

<sup>76</sup> A year later, in November 1922, on the occasion of one of his last contributions, in his report to the IVth Congress of the Communist International, Lenin dealt with the ideas of early 1918 in the same spirit. In the context that in 1918 he had held expedient, as against hasty socializing measures, a retreat to state-capitalistic methods, he emphasized: “I do not want to suggest that we had then a ready-made plan of retreat. This was not the case. Those brief lines set forth in a polemic were not by any means a plan of retreat. For example, they made no mention whatever of that very important point, freedom to trade, which is of fundamental significance for State capitalism.” (V.I. Lenin: *Selected works*. Vol. III, p. 717.)

<sup>77</sup> Cf. V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 44, p. 204.

<sup>78</sup> *Pravda*, Nov. 4, 1921 (Quoted V.I. Lenin: *Sochineniya*. Vol. XXVII. Moscow-Leningrad, 1931, Notes, p. 505.)

practical experience which had annulled the earlier resolutions and demanded a change in methods of management.<sup>79</sup>

This is why, beginning with the autumn of 1921, the reason for transition to the NEP also appears in a different light. Lenin now speaks not simply about the necessity of strengthening the alliance between workers and peasants, of making peasants interested in production by ‘making a concession’ to their nature as private producers but about the necessity of discarding a conception of building socialism that had proved to be mistaken. This conception consisted in the belief that the State of the proletariat could organize production along the lines of communist principles, with direct orders, relying on mere enthusiasm, neglecting the material interests of the toiling masses. As against these, Lenin formulated the principles of management on which not only the New Economic Policy was founded, but which were to prove valid half a century later in the practice of developed socialist economies as well. These are: personal incentive and economic accounting.<sup>80</sup>

We could add to these principles a third one, equally formulated by Lenin in the autumn of 1921 for the first time; namely, the utilization of commodity and money relations in the construction of socialism. Lenin had to acknowledge the fact that after the introduction of the tax in kind commodity exchange could not remain within the framework of local turnover. But Lenin did not ring the fire-alarm as did some doctrinaire colleagues of his, but drew conclusions in an opposite sense. On the one hand, he revised the dogma that proclaimed the incompatibility of commodity production with the building of socialism, while stressing that in a country of small peasants, in an economy with many sectors, commodity relations and trade were the only possible economic link between socialist large-scale industry and tens of millions of peasants.<sup>81</sup> On the other hand, he

<sup>79</sup> “... if we indeed want to improve our policy, our orders, our propaganda work, we must not brush aside the results of immediate experience. Is it true that in the spring of 1921 we talked about commodity exchange? Of course, it is true, you all know that. Is it true that commodity exchange, as a system, did not answer the requirements of life which brought us money circulation, sale and purchase for money instead of commodity exchange? This cannot be denied either, it is proved by facts. The experiences of our economic policy in the last period—which started in the spring—have shown that in the spring of 1921 there was no controversy about the New Economic Policy and it had been unanimously accepted at congresses, conferences and in the press by the whole party. This new, unanimous resolution has not been affected by the old debates in the least. This resolution was based on our being able to pass to socialist construction with the aid of commodity exchange on a more direct way. Today we clearly see that another détour is necessary—one through trade.” (Concluding words on the VIIth Party Conference of the Moscow Province. In: V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 44, pp. 214–215.)

<sup>80</sup> “Borne along on the crest of the wave of enthusiasm, ... we expected to accomplish economic tasks just as great as the political and military tasks we had accomplished by relying directly on this enthusiasm. We expected—or perhaps it would be truer to say that we presumed without having given it adequate consideration—to be able to organize the state production and the state distribution of products on communist lines in a small-peasant country directly as ordered by the proletarian state. Experience has proved that we were wrong. ... Not directly relying on enthusiasm, but aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentive and business principles [in the Russian: economic accounting (*khozraschot*)—translator’s note], we must first set to work ... to build solid gangways to socialism...” (Fourth anniversary of the October Revolution. In: V.I. Lenin: *Selected works*. Vol. III, p. 642.)

<sup>81</sup> Cf. The importance of gold now and after the complete victory of socialism. In: V.I. Lenin: *Selected works*. Vol. III, p. 648.



wanted the socialist sector to learn in practice market methods in order to render management successful and efficient.<sup>82</sup>

Lenin perceived that market relations can contribute to socialist construction if properly handled, if the socialist State learns the art of regulating trade and money circulation. The surest road to victory for socialism is to beat capitalism with its own weapons – with economic competition – on its own field of operation, on the market, and render it thus superfluous.<sup>83</sup>

In his last congressional report – in March 1922, at the XIth Congress – Lenin called competition with private capital on the domestic and the international market ‘the pivot of the New Economic Policy’, ‘the quintessence of the Party’s policy’,<sup>84</sup> he held it to be a ‘crucial test’, the ‘last and decisive battle’ on which the fate of socialism depended.<sup>85</sup> Thus, Lenin closely coupled the question of ‘who beats whom’ with acquiring domination on the market. In addition, he reckoned with the fact that young, inexperienced socialist enterprises may temporarily lose in this competition; yet he was not afraid of risks, of losses, which he looked upon as a necessary ‘tuition fee’. In this respect, unlike some contributors to the Congress who demanded budgetary subsidies and government safeguards – Lenin even attributed a useful role to the budget crisis to be expected because of the rapidly rising budgetary deficit due to mounting inflation, since this could perform a certain selection among weak enterprises and their managers.<sup>86</sup> (A letter of his originating from this period, addressed to the Commissar of Finances, Sokolnikov, tes-

<sup>82</sup> “We need not feel an aversion to commercial accounts, but understand that we can create tolerable relations only on this basis, relations that will satisfy workers in respect of both wages and the quantity of work, etc. The economy can only be built on this basis of commercial accounting. This is hindered by prejudices and by reminiscences of yesterday.” (Concluding words at the VIIth Party Conference of Moscow Province. In: V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 44, pp. 219–220.)

<sup>83</sup> “... the New Economic Policy does not change the nature of the workers’ state, although it does substantially alter the methods and forms of socialist development for it permits of economic rivalry between socialism, which is now being built, and capitalism, which is trying to revive by supplying the needs of the vast masses of the peasantry through the medium of the market.” (The role and functions of the trade unions under the New Economic Policy. In: V.I. Lenin: *Selected works*. Vol. III, p. 651.)

<sup>84</sup> Cf. Political report of the Central Committee of the RCP(b) to the XIth Party Congress, March 27, 1922. In: V.I. Lenin: *Selected works*. Vol. III, p. 680.

<sup>85</sup> “... we shall pass our test; and the test is a serious one which the impending financial crisis will set – the test set by the Russian and international market to which we are subordinated, with which we are connected, and from which we cannot isolate ourselves. The test is a crucial one, for here we may be beaten economically and politically. ... Here the ‘last and decisive battle’ is impending; here there are no political or any other flanking movements that we can undertake, because this is a test in competition with private capital. Either we pass this test in competition with private capital, or we fail completely. To help us pass it we have political power and a host of economic and other resources; we have everything you want except ability.” (*Ibid.* pp. 682–683.)

<sup>86</sup> “If it (the crisis – *L.Sz.*) is not too severe it may even be useful; it will give the Communists in all the state trusts a good shaking. ... The financial crisis will shake up government departments and industrial enterprises, and those that are not equal to their task will be the first to burst; only we must take care that all the blame for this is not thrown on the specialists while the responsible Communists are praised for being very good fellows who have fought at the fronts and have always worked well. Thus, if the financial crisis is not too severe we can derive some benefit from it and comb the ranks of the responsible Communists engaged in the business departments not in the way the Central Control Commission and the Central Verification Commission, comb them, but very thoroughly.” (*Ibid.* p. 707.)

tifies that he thought it expedient to apply even penal sanctions against managers of enterprises in deficit.<sup>87</sup>)

Another short letter written in December 1921 to G. M. Krzhizhanovsky, the first president of the Planning Office (*Gosplan*), indicates that Lenin not only thought it permissible for State enterprises to conduct a market economy, but even looked upon this as a possible way of implementing a central State plan.<sup>88</sup>

All these references, to be found in the last one and a half creative years of Lenin’s life in his articles, notes and letters about socialist planned economy and its reckoning with market relations, about material incentives, about normalization of monetary economy and the importance of creating a firm, convertible Soviet currency, etc., allow us to conclude – without any forced reasoning – that Lenin had arrived, or was on the way to arriving, at the idea of a system of socialist planned economy using methods of market economy and relying on the principle of material incentive. Of course, we must not forget that these references relate not to a developed socialist economy, but to the first experiments in management of the first socialist State struggling with a sea of difficulties and privation, and they cannot be projected without any reconsideration into the future. But it is a fact that Lenin theoretically transgressed and himself discarded the model of war-communist management – and, in this respect, it is a lesson also for the future.

<sup>87</sup> “You said it was possible that some of our trusts would remain without money in the near future and ask, as an ultimatum, for being taken into State hands. I believe that the trusts and enterprises based on economic accounting have been founded by us precisely in order that they should be responsible themselves, and fully responsible at that, for the operation of the enterprises without a loss. If they have not achieved that, then, in my opinion, every member of the board should be called to court and sentenced to long imprisonment and full confiscation of property, etc. (After some time they could be perhaps conditionally set free.) – If, by creating the trusts and enterprises based on economic accounting we were not capable of practically securing our interests to the full in a businesslike manner, we would be common blockheads.” (Letter to G.Ya. Sokolnikov. In: V.I. Lenin: *Polnoe sobranie sochinenii*. Vol. 54. Moscow, 1965, pp. 150–151.)

<sup>88</sup> “... the New Economic Policy does not change the integrated state economic plan, nor does it exceed its framework, it merely changes the ways of its implementation.” (V.I. Lenin: Letter to G.M. Krzhizhanovsky. *Ibid.* p. 101.)



## TRANSITION TO NEP AND THE THEORETICAL REVISION

Thus, the transition to the New Economic Policy took place under the pressure of circumstances. As a matter of fact, there was no other alternative at this critical stage of the revolution. This was felt both by the masses and by the leaders of the Bolshevik Party. The Xth Congress adopted the introduction of the tax in kind unanimously, and this unity was by no means formal (unanimous voting of resolutions was a rarity in those times). Aware of later discussions and differences of opinion, one may be surprised that this first and perhaps most radical socio-economic reform in the fifty-year history of socialist societies, this political and ideological turn involving far-reaching theoretical consequences, was not challenged by any politician of the era, its necessity was not doubted either then or later.

Beside the objective coercion of circumstances, this can be attributed to several reasons: the transition, the turn itself – if only because of the Janus-faced way of introducing the tax in kind – was a gradual one, and the personalities of the period took a certain time to realize its true meaning, on the one hand, and on the other, understanding the reasons for the direction and substance of the transition gave rise to various interpretations and explanations – as we have seen, even with Lenin. The debates about the interpretation of the NEP erupted already in the summer of 1921, in the wake of the new measures aimed at developing the reform and, as a matter of fact, did not subside even in the late twenties, since they were organically linked with the discussion about constructing socialism, the strategy of socialist industrialization and the method of achieving it. What we are concerned with here is the starting phases of this debate, since these may reveal the extent to which the introduction of NEP was accompanied by a revision of the conception about the mode of functioning of socialist economy.

### THE START OF THEORETICAL AND PRACTICAL REVISION

This revision started immediately after the Xth Party Congress. The first swallow in this respect was M. Olminsky's review of Bukharin's book (also examined in this study) in the first issue of *Krasnaya Nov'*, a literary-political periodical which also published Lenin's article *The tax in kind*. Olminsky (a leading publicist of the Party, a close colleague of Lenin already on the editorial board of *Iskra*) – forestalling every practical measure – challenged the thesis that the socialist revolution would lead to the immediate disappearance of commodity and money re-

lations, of the law of value, and held this view to be a 'left-wing revision' of Marxism.

He actually qualified as revisionistic Bukharin's thesis (already quoted by us), according to which the old categories of Marxian theoretical economics 'immediately break down' in the economy of the transition period. Olminsky argues as follows: "According to Bukharin, the notion of commodity disappears since spontaneity is replaced by a 'conscious social regulator' and to this extent the commodity loses its commodity character and becomes a product. In such a general abstract form Bukharin's idea suffers from one single deficiency: there is nothing new in it. The problem is precisely to what extent the proletariat having acquired political power has come into possession of production – to what extent production is regulated in reality by 'conscious social regulator'. – In their time, among other things, the old revisionists failed because they imagined that 'conscious social regulator' appearing in the form of bourgeois trusts could take possession of the economy to an extent that would abolish some Marxian 'economic categories'. Our left-wing revisionists are threatened by the same danger, though not in an absolute, but in a relative sense, with regard to the given period. A Marxist would have analysed the given period step by step and, depending on its evaluation, would have answered the question to what extent time had transcended the notion of commodity. Bukharin, however, judges the present period without analysing the situation, by stating that Marxism 'fails', that the Marxian economic notions 'immediately' break down."

And then Olminsky strikes a blow that cannot be parried: "With his immediate judgement on the immediate death of Marxian notions, Bukharin does not even need to ask the question to what extent proletarian 'conscious regulator' has taken possession of production. Obviously, for him the full victory of regulation begins the moment when the bureaucratic offices destined to take possession of production are born. It is unimportant for Bukharin whether these posts are occupied by specialists – the former owners of enterprises or their shareholders and their servants, the higher administrative and technical leading personnel of bourgeois enterprises; whether these offices 'take possession' of the destruction of the productive forces by open sabotage, rather than of production; whether the overwhelming majority of the country's population consists of small producers who have been producing an overwhelming proportion of products to this very day –; what is important for Bukharin is that the notions of commodity, value, wages, the notion of money as general equivalent have immediately broken down."

If we equate social consciousness with the existence of controlling institutions, it is indeed unnecessary for value to assert itself as objectified socially necessary working time. Olminsky correctly points out that, under such conditions, it is fully logical to 'naturalize' economic relations and that the shift to 'natural-economic type of reasoning', urged by Bukharin, gives, in fact, a wide scope for voluntarism in economic control: "It is difficult to go any farther in preaching riddance from every guiding principle of economic policy. As a matter of fact, this preaches the lack of a general unit of accounting (that would be uniform for every product). For instance, the results of some two subsequent periods cannot be collated by some general yardstick of labour productivity, but only by changes in manufacturing individual products. How can the general success or failure, the correctness or in-



correctness of economic policy in some period be established under such conditions?"<sup>1</sup>

Olminsky also criticizes Bukharin's apology for another feature characteristic of War Communism – for coercion, for force. At the end of his review he raises the question whether this book was the product of the individual inclination of the author or is perhaps the reflection of a general fault. "I am inclined to think" – he writes – "that the fault is by no means one of an individual. After the October Revolution a part of our Party lived through a period under the spell of power. It seemed there was nothing impossible for us, what we wanted we 'immediately' realized..."<sup>2</sup> This is why he considers Bukharin's book not so much as a scientific work, but rather as a literary one, reflecting the mood of part of the Party members in mid-1920.

If we disregard some exaggerating and unfounded formulations of Olminsky's criticism (we feel that the charge of revisionism was not justly raised against Bukharin's book; it would have been more in place to criticize the author's rigidity – his departure in this sense from the analytical method applied by Marx – since he wanted to apply old, *a priori* tenets to the new situation created by the revolution; but, as we have seen, these tenets were generally endorsed by the Marxists of those times), we are surprised to find how correctly he recognized the fact that conscious regulation of the economy by society is neither equivalent nor does it boil down to centralization, to creating central controlling agencies. And this activity – according to Olminsky – cannot be carried out efficiently without the existence of value categories at least to the end of the transition period.

The exactness of this recognition is surprising not only for the topicality of the reasoning, as if it were voiced in the economic discussions of today (this topicality may, after all, be attributed to the stagnation and decline of Marxist political economy over several decades), but mainly because in the spring of 1921 when Olminsky committed his thoughts to paper, the practical revision of the methods of management had only just begun; the reform had not yet exceeded the scope of ideas relating to the introduction of the tax in kind and related barter trade. In this sense – if only by a few months – Olminsky ran ahead of events, and his writing, although it made no great impact on moulding public opinion (passing unnoticed at least for the history of economic thought), is indicative of a lively critical spirit as regards the theoretical and practical problems raised by the reform.

A further decisive step in the introduction of the New Economic Policy was taken in the summer of 1921, when the general deterioration of the economy – aggravated by the destructive drought – demanded urgent measures for putting industrial production on an efficient basis, for raising productivity and for the rational use of scarce resources. Government resources were concentrated upon operating the most important large-scale plants, the less important small and medium-sized plants were closed down, or leased to private entrepreneurs and co-operatives; on the other hand, interest in production on the part of those working in State industry was enhanced, or rather created, by asserting the principle of distribution according to work done, while State enterprises were organized on the principle of economic accounting. These steps, as we have mentioned, were

<sup>1</sup> M. Olminsky: O knige t. N. Bukharina. *Krasnaya Nov'*, 1921, No. 1 (June), p. 249.

<sup>2</sup> *Ibid.* p. 251.

forced measures, but entailed a revision of the whole economic system, an unavoidable revaluation of its operational principles.

An important document of this revision is the resolution adopted by the Presidium of the Supreme Council for National Economy, dated July 11, 1921, (author: I. T. Smilga) which first realized the necessity for introducing economic accounting. Besides this, its assessment of the existing system of management and of the desirable direction of its development is of special interest for us. Let us quote a few points:

"2. One of the main deficiencies of the present economic policy is the lack of any underlying economic subject, and, as a result, the lack of rational control of industry. This is conspicuous mainly in the field of supply. Food is provided in the following manner: (a) through the rations of the Commissariat for Food, (b) through thefts from the plants, (c) as a result of premia in kind given by the co-operatives, (d) as a result of realizing the premium fund in kind either in the organizational framework of enterprises, or by the workers individually. Working-clothes are distributed by the trade unions; technical-material supply comes through the *glavki*. The enterprises are supplied with food and working-clothes not according to their productivity, but according to needs, that is, supply is not related directly to productivity but indirectly (whether production grows or diminishes – supply remains about the same). This system is a consequence of the wartime period of our revolution, when the republic was a 'military camp'. In a besieged castle, efforts to supply, feed and support everybody in a manner as equal as possible, until the reconstruction of production could be started, were quite understandable. Now the task is something else: production must be reconstructed at any price, productive forces must be developed..."

"4. An immediate rearrangement is necessary on the following grounds: first, it should be declared a principle in the field of the national economy that the State gives nothing free of charge to anybody; second, that the total supply of the worker should be included in his wages which should be essentially increased for the employed part of the workers and adjusted to the general subsistence norm of workers; third, the total supply given to workers should be allocated not according to the number of staff, but according to the quantity of products turned out, except for those branches of industry and of the economy where the character of the work renders this impossible; fourth, the supply of workers must be conducted by all supplying organizations through plant managements, through plant administrations, and the latter should not obtain the quantity needed unless their obligations undertaken to higher authorities are met, and they should be made responsible to the court in the case of non-fulfilment. The entire economic policy should rely on economic accounting..."

"5. Since it has turned out that industry cannot be supplied from State funds, even on the level of famine normatives, State industrial unions must be permitted to sell a larger part of their products than hitherto within the republic to the Co-operative Centre (Tsentsosyuz) and abroad through the People's Commissariat for Foreign Trade..."

"9. The immeasurably slow development of barter transactions affords some experience as to what this can be expected to involve in the near future. Local turnover and the commodity deliveries of industrial centres or individual factories eventually ruin the market and annihilate every possibility of barter trading by



saturating the market of their area of operation with one kind of commodity (yarn, textiles, or metal). The equivalents used in free exchange – hundred for hundred at pre-war prices, or free market prices for urban and country products – dictate a transition to sale and purchase. Therefore, (a) in no kind of barter trade transaction must we restrict ourselves to the framework of local trade, (b) besides barter trade, where this is advantageous, we must definitely shift to the money form of exchange.

"10. In order to consolidate our Rouble, a series of measures must be adopted to enable a return flow of money back into the Treasury. Charges for public utilities, taxation, payments for government services must be introduced, etc. The lending and savings banks must be reopened, and credit co-operatives widely used..."<sup>3</sup>

It is easy to trace in this document how the austerity measures dictated by necessity led, from the efficient use of workers' supply with food, to the development of strict rules of distribution according to work done, and to principles of rational enterprise management, to creating a new relation between the State and its productive units ("the State gives nothing free of charge to anybody"). It is also easy to perceive how inexorably the logic of rational management led to permitting enterprises to engage in market activities, to lifting local barriers, and to the restoration of monetary economy.

#### DEBATES ON INTERPRETING THE NEW ECONOMIC POLICY

These developments in economic life had already evoked an open debate about the causes and objectives of the transition to NEP and, in a wider sense, about the methods and perspectives of development of socialist management. On one side were those who only looked upon the New Economic Policy as a retreat due to the unfavourable external and internal conditions of the Russian proletarian revolution, as a concession to the small commodity producers (that is, essentially sticking to the interpretation given by Lenin when he initially justified the introduction of the tax in kind and permission for the local exchange of products), and defined the task ahead as the earliest possible return to the 'ideal socialist' principles of War Communism – perhaps in a somewhat more rational form.

In 1921–1922 the most candid representative of this school was Yu. Larin who, in his articles and speeches, represented the survival of war-communist ideology, perhaps in the most concentrated and most unequivocal manner. His criticism of the New Economic Policy was expounded mainly in his lecture held in the Club of the Moscow Party Committee in October 1921 and evoked considerable stir. He repeated these arguments – with some modifications – when criticizing Lenin at the XIth Congress of the Bolshevik Party in March–April 1922. Let us examine his reasoning.

In his article based on his lecture Larin attributed the introduction of NEP not to the circumstances of internal development, but to the changed course of the world revolution: "These are not mistakes due to stupidity or to our incompe-

<sup>3</sup> Quoted by I. T. Smilga: *Pyat' let novoi ekonomicheskoi politiki. Planovoe Khozyaistvo*, 1926, No. 3, pp. 50–52.

tence, etc. This problem (the change in economic policy – L. Sz.) has emerged in a general form mainly because our hopes for a European victory of the socialist revolution have, for the moment, been postponed to the future, because this revolution does not seem to be as imminent a problem now as it did e.g. late in 1918."<sup>4</sup> According to Larin, War Communism was born from the near perspectives of victory for the socialist world revolution. In this case Russia would have been "but a relatively backward (agrarian) province of uniformly highly developed (industrial) Europe – and thus, the general pattern of life and of the economy could easily have been adjusted to the general European pattern – in the same manner as the existence of some peasant regions in industrial Germany did not alter the basic type and basic character of German economy (socialist Russia, as a part of an integrated socialist Europe, would not know to such an extent e.g., the extremely deficient supply of the countryside with industrial articles, which was one of the greatest difficulties of the Russian revolution, the greatest obstacle to raising the peasantry peacefully and in an organized manner to the level of State socialist economy)"<sup>5</sup>. According to him, the obligatory delivery of surpluses, as a method of building socialist economy, was institutionalized in a final form precisely at the beginning of 1919 because this was the time when the European workers' revolution was on the upswing, when Soviet republics were born in Finland, Bavaria and Hungary. Since external circumstances had changed, "we were compelled to renounce the original plan emerging late in 1918, and the only question now is how far we shall retreat and how far it is advantageous to retreat. Evidently, we are retreating not because of our sudden attraction to trade, money, lease-holders and to other charms, but in order that the working class should be able more easily to pull through the period which separates us from the new upswing of the European workers' movement..."<sup>6</sup>

From this reasoning it is unequivocally clear that the war-communist system is considered by Larin as socialism realized, which can be and – obviously – should be attained much more easily in the more advanced countries. It is characteristic that Larin should make no reference to forced war conditions as a justification for the introduction of obligatory delivery of surpluses. He relates this exclusively to the expected victory of the European revolution.

Larin's intention is to stop the flood of 'commercial progress' with the barrier of 'communist reaction' (sic!). According to him, the first thing to do for this purpose is correctly to assess the content of the New Economic Policy. As he wrote: "We must openly treat it as our defeat, as a concession, not as some new joyful achievement; as a necessary and unavoidable step, but not as a cause for joy and dancing... for us, the New Economic Policy is not progress, but an unavoidable misfortune, a retreating manoeuvre, favourable to the extent that it saves and covers the main bases of the army."<sup>7</sup>

What does Larin call upon 'communist reaction' to arm against? Against two things. One is vain illusions about the co-operation of private capital. According

<sup>4</sup> Yu. Larin: *O predelakh prispособlyamosti nashei ekonomicheskoi politiki. Krasnaya Nov'*, 1921, No. 4, p. 148.

<sup>5</sup> *Ibid.* p. 149.

<sup>6</sup> *Ibid.* pp. 149–150.

<sup>7</sup> *Ibid.* pp. 150–151.



to him, private entrepreneurs take into their own hands – mainly light-industrial and commercial – State enterprises only in the hope of skimming off easy and quick profits. They must not be expected to make major investments, since the basic condition for these is lacking: trust in the existing system, which is fully understandable after the nationalizations and expropriations in the years of socialist revolution and civil war. As later developments were to show, this concern of Larin was not unfounded.

But the main attack is directed against the danger inherent in the fact that State enterprises become private ones, even if retaining a State signboard. How does this happen, according to Larin? "This magical transformation takes place by way of the fashionable sermon, proclaiming independence of enterprises from the State in matters of supply and product realization (or utilization). It is proclaimed as a desirable objective that the State should be exempted from caring for a growing number of enterprises, and to this end the right is given to the enterprise, or a group of enterprises, the so-called 'trust', to dispose of its own products: sell them to whomsoever it deems desirable and in quantities it just thinks necessary." And where does this lead to? "Every single enterprise would continue to be recorded as State-owned, yet its products would be disposed of, not by the proletariat as a whole through its State, but by the manager or the 'trust' ... The integrated State economy would fall apart into a multitude of independent units, and each of these would act not in the interest of the whole, but in its own interest, or rather in that of its bosses ... The interests of purchase and sale conceived from the standpoint of the individual enterprise or the trust become dominating."<sup>8</sup>

To illustrate such 'bourgeois distortions' of the New Economic Policy, the author reviewed cases when some enterprises demanded from State purchasing organs – *horribile dictu!* – punctual payment for commodities delivered. It is worth quoting these examples word for word: "Now comes the 'State trust' of the pharmaceutical factories and announces that it wishes to offer the medicines produced, above all, to the People's Commissariat for Public Health, but if this does not pay in ready cash, it will sell the medicine on the free market. Then comes the State 'trust' of lacquer and paint factories and informs us that it will include in its programme the production of 32 thousand poods of paint, not provided for by the Planning Office, but sought for in the market, and will reduce the minimum programme of printing paint prescribed by the Planning Office, from 62 thousand poods to 30 thousand poods – that is exactly by 32 thousand. Then the Directorate for the Glass Industry appears before the Utilization Committee and proposes that the State should have the right to obtain 10 per cent of the output, as well as to purchase another 30 per cent, but if it does not pay within six weeks, and fails to carry away the glass from the plants (some of which lie many versts from the railway), it will lose this right. The Directorate of the Leather industry informs the Commissariat for Food that in the future it will not hand over the products of its largest factory, the Skorohod, but sell them itself. Comrade Dzerzhinsky (People's Commissariat for Transport) complains to the Utilization Committee that the Commissariat does not get the nails allocated to it, because these are sold elsewhere, 'on the basis of economic accounting', etc., etc." Even if we accept these

<sup>8</sup> *Ibid.* pp. 154–155.

cases as authentic ones,<sup>9</sup> it is characteristic what the author emphasizes as a lesson: this is not the necessity for co-ordinating plan instructions with budgetary management, not the importance of financial solvency and of payments discipline in the State sector, but the detrimental character of enterprise-like management: "This amounts to annihilating the soul of State economy, the *right of disposal of the results of production*, to undermining the economic influence and power of the proletarian State, to the victory of the *private-economy approach and private-economy anarchy* in the legal hull of State forms."<sup>10</sup>

There is no need today to analyse the merits of Larin's worries; let it suffice to refer to the fact that the market activity of State enterprises – handled by Larin as some bogey – affected only a part of their products in those times, as can be also seen from the draft order of Smilga (par. 5); all important products continued to be manufactured under budgetary financing and placed at the disposal of central agencies.<sup>11</sup> What we are interested in is rather the approach expressed in these worries. Larin, namely, makes no mention of the fact that what he calls the 'private-economy approach' aims at an efficient management of production. In his description the 'soul of State economy' has nothing to do with the rational organization of production, since the immediate central disposal of output – a characteristically war-communistic ideal! – becomes with him an end in itself.

In other words, this view logically follows from conceiving the New Economic Policy as a retreat, as a concession to inimical class forces, since, when such an interpretation is consistently carried to its end, it becomes indeed superfluous to engage in the tasks of reconstruction or the starting of rational socialist economy (and with Larin we indeed do not find any such references).

Also the very limited (essentially negative) concept of the principle of economic accounting stems from this war-communistic approach, treating it as a simple bookkeeping category. It is worth paying attention to the way in which Larin explains this, how he refers to *then* prevailing particular circumstances when he justifies the existence of State enterprises operating at a loss, how he contrasts economic efficiency with the requirement of profit-earning management since his explanation is classical in its kind; similar ones have been repeated over almost half a century, though not so overtly and bluntly: "Lease everything that earns no net gain: this is the vulgar interpretation of economic accounting, against which healthy communist reaction to the distortions of the correct line of the New Economic Policy so important for us, must definitely arm itself. Economic accounting means merely the exact recording of the costs and results of total production, as well as of the balance of the enterprises – and nothing more. Even in Europe, many enterprises do not earn net gains now, as is usual at times of industrial slumps involving under-utilization of capacities. Here, in Russia, industry and transport unavoidably work with a very reduced efficiency of utilization, even

<sup>9</sup> Doubts may arise because Larin, precisely in his lecture in the discussion club of the Moscow Party Committee, mentioned several tendentially distorted and untrue facts, for which the Central Committee of the Party initiated an investigation and, besides other contributors, Lenin also touched on the matter at the XIth Congress. (See *Protokoly XI s'ezda RKP(b)*, pp. 153–155.)

<sup>10</sup> Yu. Larin: *op. cit.* p. 155.

<sup>11</sup> See the Order of the Council of People's Commissars dated August 16, 1921: "On expanding the scope of authority of State enterprises in the fields of financing and disposing of material resources." *Direktivny KPSS*, pp. 264–268.



with the comparative success of our attempts at concentration; – and therefore, by replacing the necessity for economic efficiency by the profit principle, ideological foundations are created for those ‘special’ experiments which, under the pretext of the new policy, in effect liquidate the whole of State industry...”<sup>12</sup>

What prevents Larin from understanding rational conditions of enterprise management is the ‘natural-economic type of reasoning’ characteristic of War Communism. In his conception one of the attributes of socialist planned economy seems to be the collection, centralization and allocation of the output of State enterprises in physical form by the socialist State. This is indicated by the following reasoning of his: “... whatever right we give to State enterprises for carrying out certain commercial transactions, the guideline must be not the *private* but the *State* principle (*nachalo*). This means the following: (1) the enterprise lives according to the State plan, as a part of the uniform State economy, and not at its own discretion or according to its own interests; (2) the enterprise does not trade with the State on an equal basis – ‘off-setting’ as it is called today – with part of its products the material and financial means obtained from the State, but – for selling for its own benefit, for being able to complement supply deficiencies – obtains part of its own production which is marked out for this purpose by the State in the approved estimates for covering production costs. The practical importance of this difference between the two variants – the private trading one and the State financed one – can be judged from the following examples.” And here Larin lists State expenditures on administration, education, social benefits and social insurance, etc., for which the State “gets absolutely nothing from the enterprise... under the private trading system of ‘off-setting’.”<sup>13</sup> As a matter of fact, “it should receive 35 per cent of the gross output of each State enterprise, according to the above-listed items, without any ‘monetary or material countervalue’... But if we examine the components of the producer’s price of a manufacturing product under the bourgeois system, we shall find a series of ‘overhead’ items, the burden of which is today fully borne by the State – e.g. the risk of damage by fire (the old insurance against fire). Thus, even from a consistently bourgeois standpoint, the system of alleged ‘off-setting’ accounting between a State enterprise and the State which they try to introduce as ‘economic accounting’, is a complete distortion of the latter. In the language of private law this is called not commercial accounting but commercial deceit.”<sup>14</sup>

From these excerpts it will be clear that in the first period of NEP when, owing to inflation, no normal income collection (taxation) could be constructed as yet, and the application of a ‘tax in kind’ was unavoidable on this account even in industry, the war-communist conception wanted to perpetuate this state of things, since it considered this to be an essential feature of planned economy. Otherwise, at the XIth Party Congress held in the spring of 1922 – where one of the central problems was the restoration of the State budget and the normalization of monetary economy – Larin called the abolition of the Utilization Committee that handled the allocation in kind “the first act in weakening the planned economy”.<sup>15</sup> He judged monetary relations within the State sector to be superfluous,

<sup>12</sup> Yu. Larin: *op. cit.* p. 160.

<sup>13</sup> *Ibid.* p. 159.

<sup>14</sup> *Ibid.* pp. 159–160.

<sup>15</sup> *Protokoly XI s'ezda RKP (b)*, p. 118.

ous, even harmful, since they had nothing to do with strengthening relations with the peasantry (i.e. with the narrowly interpreted aim of NEP) and, as a matter of fact, they are alien to the organization of socialist economy also.<sup>16</sup>

As we have mentioned, Larin’s reasoning represents – in an extreme and therefore clear form – an approach which we might term the survival of war-communist ideology, and which conceived and interpreted the transition to the New Economic Policy accordingly.

This approach was opposed by those for whom the transition to NEP meant the revision of the earlier conception, who were searching for methods whereby the country’s economy could be reconstructed in the fastest possible manner, the efficient functioning of the new-born socialist economy achieved and consequently the capitalist and precapitalist sectors squeezed out and liquidated.

In the discussions about the New Economic Policy, judgement of the earlier economic organization, of War Communism, proved to be a watershed. From this point of view, the ideas advanced by V. M. Smirnov (an earlier active ‘left-wing’ communist) in a study written in reply to Larin about the New Economic Policy early in 1922, are most interesting.

Smirnov starts from the fact that the substance of the new economic guideline has not been sufficiently clarified during the ten months of NEP and a plan of action can only be built on correct assessment of earlier practice. Smirnov confronts Lenin’s evaluation of the earlier economic policy – according to whom it was a mistake – with Larin’s, who explains the new policy as a forced concession due to the delay in West-European revolution. “While the first formulation obliges us attentively to revise the whole foundation of our earlier policy, the latter declares this policy to be a truly communist one and does not permit any deviation from it without covering heads with ashes and grinding our teeth because of our fall, even if unavoidable.”<sup>17</sup> And he asks the question: “Were we really so righteous up to March 1921 that now, willy-nilly, we have to allow ourselves a few sins by adapting ourselves to the frailty of the surrounding bourgeois world, refraining merely from committing mortal sin? Or was there something in our past which we can renounce with good conscience?”

To those for whom War Communism was a historical necessity justified by the victory achieved in the civil war and could therefore not have been a mistake, Smirnov answers in the following terms: “True, our earlier ‘economic’ policy

<sup>16</sup> He said the following: “Has the broadest trade introduced by us between State organizations brought any results for the union with the peasantry? Will the union with the peasantry be firmer if the High Commission for Fuel sells the coal to the Commissariat for Transport for cash and not simply for a cheque or for clearing-transaction or in some other mode of monetary accounting? I contend that, for the union with the peasantry it is quite sufficient if that part of products turned out by our factories for the peasants and destined for them are not sold within the framework of complicated administrative transactions, but are handed over to the co-operatives for sale to the peasants. . . . If one were to attempt numerically to assess the transition of our economy from natural economy to monetary economy – which has been the main phenomenon of recent times – it would turn out that, for all its enforcement, it took place only to an extent that according to the data published in the paper of the Supreme Council for National Economy (*Torgovaya Gazeta*) . . . the transactions between State organizations amounted to 75 per cent of total turnover. As regards purchases, 50 per cent of these is still transacted in the form of barter and only 50 per cent takes place through monetary settlement. Such organic resistance is manifested by our economic organization against full transition to cash accounting.” (*Ibid.* pp. 118–119.)

<sup>17</sup> V. Smirnov: *Nasha ekonomicheskaya politika. Krasnaya Nov’*, 1922, No. 1, pp. 199–200.



created a background that was not bad for our military fight and considerably contributed to its success. And yet, was it a policy of building up communism? Of course, it was not. Its communism consisted only in liquidating bourgeois ownership relations, enabling us thereby to utilize all material resources to be found in the country with much greater freedom for the purposes of the fight. The only reason why we could withstand the three-year civil war after a similarly three-year imperialist war should be attributed to the fact that we had declared everything to be State property, even consumer goods, and that the State had the right to confiscate anything it needed at any moment. But the building of a new society was not undertaken if only because no organic constructive work was possible in such a situation. We did not produce, but consumed and thought that this tactic of maximum use of the remaining stocks, this tactic of wasteful (unavoidably wasteful) management of the productive forces of the country was the tactics of building a new society. (A relic of this ideology is Bukharin's book: *The economics of the transition period*, in which he considers the requisitioning of grain from the peasantry as 'a new type of relations' – conforming to the socialist system – between town and countryside. – *Note by Smirnov.*) This was our gravest mistake, which can by no means be reduced to the incorrect theoretical foundation of our correct policy. If it had not been so, it is more likely than not that we should have laid the foundations of the 'new' economic policy not in March 1921, but in March 1920, and should not have considered military forms of organization to be the beginnings of socialist organization, and, as a consequence, should have applied them on a much smaller scale; the miscarried experiment of replacing the economic organs with labour army councils quite unsuited for economic work, owing to their structure, would not have been undertaken; and, finally, we should not carry even today the burden of the old consumer ideology, it would not delay the transition – which is a matter of life and death – to the tracks of production and would not evoke, as a reaction, a wish to proceed along private capitalist ways only in order to get rid of the peacetime charms of war 'communism'. Therefore, the so-called 'communist reaction' means true reaction whose ideal lies not in the future, but in the past, and whose slogan is: the least possible and most careful deviation from the methods of the 'old' economic policy. In the meantime, its ideologues are not aware of the simple circumstance that, as a matter of fact, the old economic policy did not exist at all, and that the so-called 'new' economic policy is not a new policy, but merely a first attempt at trying out correct methods of socialist construction in general, and particularly in such a backward country, with a great extent of petty bourgeois economy, as Russia."<sup>18</sup>

As can be seen, a contemporary and participant unequivocally writes about War Communism as a particular form of socialist construction – with an ideology of its own. (We can safely neglect the contradiction in the reasoning of the passage quoted: the author intends to show that War Communism cannot be considered an economic policy, but what he says about it proves precisely that it was a system of deliberate and co-ordinated measures of State economic policy. It is another problem – and here Smirnov is completely right – that this system was not, since it could not be, viable, and its failure was inevitable.) That War Communism was not only *an sich* but also *für sich*, such a form needed no proof for its contem-

<sup>18</sup> *Ibid.* pp. 200–201.

poraries; what is an interesting and valuable feature of V. Smirnov's considerations is his emphasis on the fact that War Communism was indeed a retrograde and reactionary ideal.

In this respect, his description of the birth of war-communist ideology is striking and self-critical: "The food problem was a central economic problem of our earlier economic policy. This was quite natural. The peasant had been linked with the town by a thousand threads, and these originated in the old autocratic-landlordly-bourgeois power... Of course, we were unable to create anew a similarly subtle and ramifying machinery at one stroke. This complicated network was replaced by the coarse rope of delivery of surpluses, and this was indispensable to begin with. But we hastily concocted a theory according to which this rope was the pure socialist 'type of relationship' between town and countryside, not a temporary, but a new achievement that would subsist forever, naturally with some corrections. – It was self-evident that in the early days the relations with the peasantry had to be restored on the basis of direct coercion, and not on the basis of commodity relations. But we have forged a virtue out of this necessity, and it has become a central point in our economic programme immediately to transform the peasant into a member of socialist society who would work according to State tasks, and deliver his products according to work-sheets (*naryad*). This has led to the project, adopted at the VIIIth Congress of Soviets, on State control of peasant economy."<sup>19</sup>

## STATE ENTERPRISES AND MARKET ECONOMY

Besides his correct critique of War Communism, remnants of the war-communist approach can also be found in Smirnov. This appears in a one-sided conception of NEP, which narrows down its substance to giving scope for small-scale commodity production and private capitalist management and, as it were, fails to carry the reform into the socialist sector. Thus, Smirnov castigates the survival of war-communist ideology – or 'food-commissariat ideology' as he calls it – in relation to the peasantry (the 'dogma of the obligatory delivery of produce surpluses' has been replaced by the 'dogma of barter trade' and the 'dogma of the monopoly of co-operative trade') and demands faster progress in freeing village trade, giving a wider scope to the mediating role of private capital, yet condemning the 'extreme ease' with which they shift to 'capitalist relations' in State industry. What he means is that instead of the 'absurd *glavkist* centralism' "such trusts are organized as maintain merely contractual relations with the State, and introduce accounting in money terms between State users, the principle of profitability and similar categories of private economy".<sup>20</sup>

The incompatibility of market economy with the State sector can – in our view – be explained in Smirnov's concept not only by the inveterate old dogmas, but also by the historical fact, already mentioned, that the market-regulating activity of the capitalist State had not yet developed at that time: *the existence of the State-capitalistic sector had not yet detached itself from the war economy proper.*

<sup>19</sup> *Ibid.* pp. 201–202.

<sup>20</sup> *Ibid.* pp. 202–203.



This was expressed very distinctly, e.g. in Smirnov's criticism of Lenin's thesis about the application of State-capitalistic methods. Smirnov pointed out that Lenin's thesis had been formulated in 1918 when, with the entrance of America, the World War was at its height. Since then, however, the war had ended, and the first thing the capitalist States did was to liquidate State capitalism. In his opinion, the bourgeoisie allows large scale State interference with private property only under conditions of war, in a state of imminent danger, but this does not occur in peace time. "*State capitalism was nothing else but war-time capitalism*, something similar to our war-communist period... But if this is true, it is absolutely incorrect to say that the era of War Communism must be followed by the era of War Capitalism."<sup>21</sup> However clever the parallel between War Communism and State-capitalist war economy may have been, the continuation of the simile is misleading, since it restricts the essence of NEP to allowing private economy, and there does not emerge – as it does with Lenin – any modification of the operation of the socialist State sector itself. Smirnov defines the substance of the New Economic Policy as follows: "To let the capitalist and petty bourgeois economy act in all their characteristic forms alongside State enterprises organized according to the socialist principle, instead of organizing the whole economy in a socialist manner, and not State Capitalism instead of War Communism, – this is the meaning of our shifting onto new rails."<sup>22</sup>

But what is the socialist principle underlying the operation of State enterprises? Smirnov asks this question also and, as an answer, describes, with surprising accuracy, the logic of the two kinds of operational principles, emerging already at the introduction of the NEP, which mutually exclude each other – enterprise market economy and central instructions relying on physical indices. "On the one hand" – writes Smirnov – "a wider scope is being given to the idea that all State enterprises... should be switched over to so-called economic accounting, which involves settlement in money terms between user and producer while, on the other hand, the principle of full-scope allocation of the 'most important products' is stubbornly holding its own. Indeed, it is not difficult to understand that these two principles are utterly incompatible. Namely, for the turnover of commodities, price was nothing else but the regulator of their movement, that is, it played the same role as will be played by production and allocation plans in a socialist society. The creation of monetary settlement between State enterprises and institutions and the simultaneous setting of some plan for them, obviously, make no sense: either the one or the other will break down. And since almost every enterprise of ours produces not only for State users, but also for the 'free' market, it is not difficult to find out on which side the break will be. The circumstances of our national economy have developed in such a way... that the private buyer can pay better than the State, and under such conditions it is, of course, more advantageous for every enterprise to sell, not caring a fig for the plan, instead of meeting the target (*naryad*) and withstanding the temptation of selling for cash."<sup>23</sup> (If we put the State ordering party in place of a private buyer playing the role of the tempting Lucifer, how familiar is this picture from the recent past: in the above dilemma it

<sup>21</sup> *Ibid.* p. 203.

<sup>22</sup> *Ibid.* p. 204.

<sup>23</sup> *Ibid.* pp. 205–206.

was usually enterprise interest that gained the upper hand and always found the 'small door' in the form of bargaining over the plan, or by 'picking out' the most favourable range of products.) It really testifies to Smirnov's sound economic sense that he could diagnose, in embryo as it were, the internal contradiction of the system of economic accounting linked with plan instructions, later to be developed.

In addition, Smirnov, as if foreseeing future attempts at solving this contradiction with periodical revisions of the official system of pricing, adds the following: "The creation of the price committee was an attempt to find a way out of this intolerable contradiction. It had the task of establishing prices at which State institutions made their mutual settlements. The results could not fail to be most deplorable. The price committee could not be guided by market prices if only because these – apart from their diversity and variability – are not characteristic of a great many products of State industry. What is the importance of the market price, for instance, of thick steel plates – which has developed on the basis of one-tenth of the volume of this product being found on the market and on the basis of a negligible demand of private users for this product, – what is its importance for determining the prices at which State users and producers have to settle accounts, if nine-tenths of the turnover takes place among the latter? Obviously, none whatever... As a consequence, the prices are determined arbitrarily, 'at sight' and both users and producers can but wonder when they are told the prices: with the former, credits will not suffice to get the commodities allocated to them, while the latter can by no means balance their accounts, which must not show a deficit according to the principle of economic accounting. The conclusion is clear: where there is a plan, there can be no price; and where there is a price, no plan can exist. The problem must be decided in this or that direction, or else it will be decided by itself, and not for the better."<sup>24</sup>

There can be no doubt in what direction Smirnov wanted to decide the problem: in favour of the 'plan'. But this first sharp confrontation of the 'market' with the 'plan' differs somewhat from later ones and stems from a source quite different from the doctrinaire question to be met with in our days. It seems that Smirnov stuck to the 'plan' not because of his predilection for 'natural' management, by which he meant really nothing else but a centralized system of control in physical terms and of barter trade (a remnant of the war-communist approach) – but because the 'market' meant the competition of a private capitalistic sector and – as opposed to Lenin – he deemed this detrimental to State industry then still on a weak footing. As he wrote: "even with its technical backwardness, under the conditions of a free market small-scale industry has huge advantages over large-scale industry. The point is that, amidst the present great scarcity of raw material and food, small-scale industry can much better satisfy demand of this kind from the local market, which is at the same time also a realization market... Owing to its devastated situation, our economy, if left to the spontaneous forces of the market, would start on the road of crushing large-scale industry and of slowly emerging later from developing small-scale industry."<sup>25</sup> As an alternative, he raised the use of large foreign capital for reconstructing large-scale industry, but, owing to the be-

<sup>24</sup> *Ibid.* p. 206.

<sup>25</sup> *Ibid.* pp. 206–207.



haviour of foreign capital, he judged this solution as most questionable and put forward, as the only possible solution, the necessity for retaining and later expanding the 'planned economy' of large-scale industry in the sense mentioned.

Thus Smirnov – as opposed to Larin – excludes State industry from the scope of market relations on the grounds of practice, of economic policy and not of ideological considerations. This same practical approach, however, led the leaders of the Bolshevik Party, a few months later, to realize that what efficient production required for State industry was not the artificial atmosphere of a hothouse, but market competition.

As we have seen, Lenin emphasized, at the XIth Party Congress in March–April 1922, the importance of the controlling role of market competition for State enterprises, and even attributed a positive significance to the threatening financial crisis, since it could perform a 'shake-up' among weak State institutions and enterprises. But Lenin was not alone in this opinion of his. The change in approach is well shown by the fact that at this Congress it was none other than Trotsky – whom we justly classified above as an ideologue of War Communism – who made some remarkable statements about the State sector when he sided with Lenin against Larin's criticism.

Looking back on War Communism, Trotsky emphasized that, although it had been successful with respect to military policy, it had been economically unfounded: "How did we start? We began... in economic policy by breaking with the bourgeois past firmly and without compromise. Earlier there was a market – we liquidate it, free trade – we liquidate it, competition – we abolish it, commercial calculation – we abolish it. What to have instead? The central, solemn, sacred Supreme Council for National Economy that allocates everything, organizes everything, cares for everything: where should machines go to, where raw materials, where the finished product – this all will be decided and allocated from a single centre, through its authorized organs. This plan of ours has failed. Why? Because it did not prove to be sufficiently prepared, or – as put by Comrade Lenin – because of our low cultural level... In what then does our mistake consist? If examined from an economic point of view, the mistake... was that the proletariat had undertaken something beyond its capacity in economic construction. In the existing conditions of the country, with existing conditions of technical production and organization and culture of the proletariat, it was incapable of building socialism in a centralized manner..."<sup>26</sup>

Trotsky thus emphasizes here Russia's backwardness as the cause of the shipwreck of the war-communist undertaking. It is interesting, however, – and this already indicates the change in approach – that he considers the war-communist road as impracticable even under much more developed West-European conditions. The transition to market economy was necessitated in Russia by the union with the peasantry – said Trotsky. "For Europe (namely, for post-revolutionary Europe – *L. Sz.*) the main task will be the self-control of economic successes by the methods of calculation and commodity turnover developed by capitalism. If in Germany the workers were to seize power now, no doubt, we should not advise them to amalgamate everything and subordinate it to an economic council with uniform allocation and consumption."<sup>27</sup>

<sup>26</sup> *Protokoly XI s'ezda RKP(b)*, p. 285.

<sup>27</sup> *Ibid.* p. 142.

Answering Larin concretely (who expounded at the Congress ideas in agreement with his article we have just reviewed), Trotsky pointed out that the substance of NEP could not be limited to permitting capitalist elements to act. As he said: "The main trouble with Comrade Larin... lies elsewhere: he says that, subtracting the leased enterprises and those under concession – of which there are but a few – what remains of the New Economic Policy is the market 'play' of State enterprises among one another. Indeed, if we look at a copy of *Izvestiya*, on page four we may read the advertisements of Mostorg, of GUM (both big Moscow stores – *L. Sz.*) and other State enterprises. These are trading with each other. The advertisements are State advertisements, we hardly find any private ones. The advertisements reflect our economic life. What should this mean? Shall we abolish page four of *Izvestiya*, letting enterprises transact business simply in an official way, as happened earlier, and settle their accounts with the aid of allocations instead of Soviet banknotes? This is very simple. But would it be the correct way out? No, it would be fatal. The substance now is not leasing (its extent depending on developments), but that we have abandoned, for the near future, the idea of a centrally organized statistical orientation, the idea of a general accounting, allocation, arrangement, supply, etc. The trust, the factory, the plant, the economic council of the province orientate themselves, acquire information for themselves, sniffing and looking around for what can be found in the Soviet State, making purchases – namely those who are capable of purchasing, who are strong. Both the Moscow Economic Council and that of Petrograd may occupy the same place in the Soviet hierarchy, but the one has money today, the other has not, the one accumulates reserves, the other does not. – Orientation by market, by commercial calculation, and not by way of centralized accounting – this is an absolutely necessary transitional stage."<sup>28</sup>

We can see that also Trotsky not only recognized but stated openly that the substance of NEP was not exhausted by retreating before capitalist elements, by concessions made to the small commodity-producing peasantry, but its organic part was the revision of the concept of the functioning of State enterprises (as a matter of fact: of the socialist sector), and the putting of their activities necessarily on a market basis. Trotsky expounded this latter idea of his in detail in his report in November 1922 to the IVth Congress of the Communist International.<sup>29</sup> This is worth quoting at some length, not only for the sake of documenting it for the history of theory, but also because the arguments Trotsky uses in support of the necessity for market economy have – to a certain extent – not lost their topicality even today:

"But the New Economic Policy does not flow solely from the interrelations between the city and the village. This policy is a necessary stage in the growth of

<sup>28</sup> *Ibid.* pp. 287–288.

<sup>29</sup> The available English text of the report by Trotsky (Report on the New Soviet Economic Policy and the Perspectives of the World Revolution, Delivered at the November 14th, 1922 Session of the Fourth World Congress of the Comintern; in: *L. Trotsky: The First Five Years of the Communist International*, Vol. II. Pioneer Publishers, New York, 1953, pp. 220–263) is longer and differs in content from the records of the Congress published in German (*Protokoll des Vierten Kongresses der Kommunistischen Internationale*. Hamburg, 1923, pp. 268–295). Since we could not check the texts against contemporary Russian-language publications, no guarantee can be given for the exactness of the fuller English text quoted.



State-owned industry. Between capitalism, under which the means of production are owned by private individuals and all economic relations are regulated by the market – I say, between capitalism and complete socialism, with its socially planned economy, there are a number of transitional stages; and the NEP is essentially one of these stages.

“Let us analyse this question, taking the railways as a case in point. It is precisely railway transportation that provides a field which is prepared in the maximum degree for socialist economy, because the railway network in our country had been for the most part nationalized already under capitalism and it has been centralized and to a certain extent normalized by the very conditions of technology. The bigger half of the roads we obtained from the State, the remainder we confiscated from private companies. A genuine socialist management must, of course, approach the entire network as a unit, that is, not from the standpoint of an owner of this or that railway line, but from the standpoint of the interests of the entire transport system and the country's economy as a whole. It must apportion locomotives or freight cars among the various lines to meet the requirements of economic life as a whole. But a transition to such an economy even in the centralized field of railway transport is not so simple. A whole number of intermediate economic and technical stages is involved. Locomotives happen to be of various types, because they were constructed at different periods, by different companies, and in different plants, and, furthermore, different types of locomotives are simultaneously repaired in one and the same set of railway shops and, conversely, locomotives of the same type – in different shops. Capitalist society wastes, as is well known, a huge amount of labour power by its super-diversification and the anarchistic kaleidoscope of the component parts of its productive apparatus. It is, consequently, necessary to sort the locomotives according to type and allot them to the various railway lines and shops. This will be the first serious step on the road to normalization, that is, the institution of technological homogeneity with regard to the locomotives and locomotive parts. Normalization, as we have said more than once, and correctly so, is socialism in technology. Failing normalization technology cannot reach its fullest flowering. And where should we start the normalization if not with railways? We did actually tackle this task, but immediately ran up against major obstacles. The railway lines, not only those privately owned but also the State-owned lines, settled their accounts with all other economic enterprises through the medium of the market. Under the particular system this was economically unavoidable and necessary because the equipment and the development of a particular line depends upon how far it justifies itself economically. Whether a particular railway is beneficial to the economy can be ascertained only through the medium of the market – so long as we have not yet elaborated methods of overall statistical calculation of a socialist economy; and these methods, as I have said, can become available only as the result of an extensive practical experience gained on the basis of nationalized means of production.

“And so, in the course of the Civil War the old methods of economic control were eliminated before it was possible to create new methods. Under these conditions the entire railway network was formally unified but each individual line in the network lost contact with the rest of the economic milieu and remained suspended in midair. By approaching the networks as a self-sufficient technical entity, by consolidating railway carriages and the freight car stock of the entire net-

work, by centralistically fixing uniform types of locomotives, and by centralizing repair work, that is, by following an abstract technico-socialist plan, we ran the risk of completely losing all contact over what was necessary and what was not, over what was profitable and what was not in the case of each individual railway and the network as a whole. Which line should be expanded and which one should be contracted? What rolling stock and what personnel should a given line have? How much freight could the State transport for its own needs and what share of the carrying capacity should be allotted for the needs of other organizations and private individuals? All these questions – at the given historical stage – cannot be resolved except by fixing rates for transportation, by correct bookkeeping, and exact commercial calculation. Only by maintaining a profit and loss balance between the various sections of the railway network, coupled with the same sort of balance among other branches of the economy, shall we be able to elaborate methods of socialist calculation and the methods for a new economic plan. Hence flows the necessity – even after all the railways have become State property – of permitting individual railway lines or groups of lines to retain their economic independence, in the sense of their being able to adjust themselves to all the other economic enterprises upon which they depend or which are serviced by them. In and of themselves abstract plans and formal socialist aims do not suffice to switch the operation of the railways from the capitalist over to the socialist track. For a certain and rather long period of time, the workers' State will have to utilize capitalist methods, that is, methods of the market, in operating the railway network.

“The foregoing considerations apply even more obviously to industrial enterprises which were not anyway nearly so centralized and so normalized under capitalism as the railway lines. With the liquidation of the market and of the credit system, each factory resembled a telephone whose wires had been cut. War Communism created a bureaucratic surrogate of economic unity. The machine-building factories in the Urals, in the Donets Basin, Moscow, Petrograd and elsewhere were consolidated under a single Central Commissariat, which centralistically allotted them fuel, raw materials, technical equipment and work-forces, maintaining the latter through a system of equal rations. It is perfectly self-evident that such a bureaucratic management completely levelled off the peculiarities of each individual enterprise and cancelled out any possibility of verifying its productive capacity and its gainfulness, even if the bookkeeping entries of the Central Commission had been distinguished by a greater or lesser degree of precision, which in reality has been out of the question.

“Before each enterprise can function planfully as a component cell of the socialist organism, we shall have to engage in large-scale transitional activities of operating the economy through the market over a period of many years. And in the course of this transitional epoch each enterprise and each set of enterprises must, to a greater or lesser degree, orient itself independently in the market and test itself through the market. This is precisely the gist of the New Economic Policy: while politically it has meant that concessions to the peasantry have taken the limelight, it is of *no lesser* importance as an unavoidable stage in the development of State-owned industry during the transition to socialist economy.”<sup>30</sup>

<sup>30</sup> L. Trotsky: *op. cit.* pp. 233–236.



How did Trotsky imagine, under the new conditions, the activity of State enterprises operating as "a telephone whose wires had been cut", at the time of War Communism? "...the State-owned enterprises are competing with one another on the market, and, in part, they have to compete with private enterprises, which, as we know, are very small numerically. Only in this way will nationalized industry learn to function properly. There is no other way of our reaching this goal. Neither *a priori* economic plans hatched within hermetically sealed four office walls, nor abstract Communist sermons will secure it for us. It is necessary for each State-owned factory, with its technical director, to be subjected not only to control from the top – by the State organs – but also from below, by the market which will remain the regulator of the State economy for a long time to come."<sup>31</sup>

The text quoted testifies to the fact that Trotsky transgressed what to Smirnov seemed to be an unsolvable antinomy: the incompatibility of planned and market economies. Although in a rudimentary form, he formulates here the 'double' control 'from the top' and 'from below' as a requirement of rational socialist planned economy. For the history of theory it is particularly important that he deems it necessary for commodity relations and methods of market economy to be maintained for some longer time within the State sector – although he continues to call these 'capitalistic' methods. He tries to ascribe this necessity, in the first place, not to factors lying outside the State sector (to competition by capitalistic elements, to the existence of the small commodity-producing sector or to the maintenance of foreign-economic relations) but to the efforts of State enterprises aimed at rational management, and to the necessity for their economic independence – their separatedness, if you like – following from the former. It is interesting to see how the author uses the railways, one of the most centralized branches, to show how untenable the conception of a socialist economy considered as a single plant and its management in 'natural' terms from a single centre would be. True, Trotsky does not say outright that this conception should be discarded, but pushes off its implementation into the very far future; we have seen that he considers the market activities of State enterprises to be indispensable not only under backward Russian conditions, but even under those of developed Western Europe.

Another particularly important idea from our point of view is – and this is also stated by Trotsky – that the settlement of relations with the peasantry is the *political* aspect of NEP, and the operation of State industry, of the State-owned sector, on market foundations, is – in merit – its no less important *economic* aspect.

From this economic content of NEP the reformulation of the concept of socialist planned economy unavoidably followed. According to Smilga, the fact that with the New Economic Policy the Soviet system "has shifted from a system attempting to turn out products, to the production and marketing of *commodities*"<sup>32</sup> by no means amounted to ousting the plan from the control of the economy. Life has refuted those who believed that the 'plan' and the 'market' were concepts excluding each other. In fact it was NEP that created the means with which plans could be implemented. "Under War Communism" – writes Smilga – "it was attempted to plan everything, and in reality nothing came out of it. The necessary correspondence between the task set and the tools available for

<sup>31</sup> *Ibid.* p. 237.

<sup>32</sup> I. T. Smilga: *op. cit.* p. 48.

solution was lacking. The plans degenerated into bureaucratic perversion. Only after restricting the scope of planning to controlling the State economy and to the economic policy relating to the peasantry, were the conditions for really successful planning created. *The existence of market relations does not preclude but presumes a strengthening of the principle of planning* (planovoe nachalo)."<sup>33</sup>

## WAR-COMMUNIST REMINISCENCES

The development outlined in the preceding section characterized but one trend of Marxist economic thinking, the one which approached earlier tenets from the side of practice and concluded from this confrontation on the necessity for changing not only the practical methods of economic policy, but also the theoretical theses. The starting point of this revision was the Leninist thesis, that the New Economic Policy was not only a retreat, a regrouping of forces, a series of political and economic concessions to the preponderant privately producing peasantry, but also the discarding of the war-communist conception of socialism that had proved to be mistaken. Accordingly, the final objective of socialist construction could not be a return to war-communist relations, to some kind of a second improved edition of War Communism.

Opposed to this reasoning is the view which – as we have seen it in embryo with Larin – saw in the NEP nothing else but a forced retreat before hostile class forces, and openly or tacitly linked the perspective of fighting the final class war, the outcome of building socialism in Russia, to the liquidation of NEP – and naturally, of the NEP conception relating to the functioning of the socialist sector. Hidden in this approach we find also an explanation of the survival of war-communist nostalgia.

In later years this nostalgia came to the surface only at times and at places, rather as a sentimental background to the economic debates and studies usually discussing other topics, but they deserve attention by all means, since they illuminate the motives of the theories and practical activities of a considerable number of Marxists in those days.

On the first page of our book we have quoted the nostalgic reminiscences of Kovalevsky of war-communist days when the realization of 'true communism' was attempted. As the cause of the failure, Kovalevsky referred to the backwardness of Russia. We may find similar ideas in an article by L. B. Krasin, People's Commissar for Foreign Trade, in whose introduction evaluating the NEP he emphasizes – characteristically – such statements of Lenin as called the NEP a strategic retreat. Besides justifying the retreat by the backward state of the forces of production in the country, Krasin found it important to stress its forced nature: "It is understandable that this retreat was forced. It is understandable that Lenin himself and the Russian Communist Party led by him renounced the purely communist methods of managing the economy of the Soviet republic only under compulsion of necessity... Had the system of War Communism, under which the State undertook the management and control of every aspect of the economy, proved to be lasting, this, of course, would have extraordinarily facilitated the later transi-

<sup>33</sup> *Ibid.* p. 49. (Italics in the original.)



tion to full socialism."<sup>34</sup> As can be seen, this author makes no mention of the fact that the 'purely communist' methods of management were mistaken and thus hindered the building of socialism, but says quite the contrary: their survival would have accelerated the building of 'full' socialism.

The war-communist nostalgia presented itself, above all, in rejecting commodity and money relations and in wishing to return to 'natural' economy. A characteristic symptom in this respect was the reluctance with which the editorial of the January 1928 issue of *Planovoe Khozyaistvo*, the periodical of the Planning Office, handled the successes achieved in stabilizing monetary management, an achievement that had really claimed attention all the world over: "The shady side of the wide unfolding of market relations, of the successes achieved in reconstructing the monetary system and in stabilizing the *tchervonets* was a certain revival of commodity and money fetishism; the basic features of socio-economic relations which had appeared with cruel sharpness in the heroic years of the revolution and the civil war, have again become blurred in human consciousness."<sup>35</sup>

In the final analysis, the survival of war-communist ideology is indicated by the attempts, reviving in the mid-twenties, which hoped to strengthen the planned character, to expand socialist relations with the introduction of barter trade, with the spread of settlements without money (all favourite ideas of the era of War Communism). For instance, the development of socialist relations is described by an economist in a leading position as follows: "...it is impossible not to see that both within State industry and within the co-operative system, particularly within the agricultural and small-scale industry network, the *system of product exchange without money* is more and more developing and being strengthened among individual enterprises, the parts of a monolithic organization. Many settlements are still made in money form, but money begins to play the secondary role of an *accounting unit*. The transformation process of market exchange into socialist allocation is most conspicuous in industry."<sup>36</sup>

The socialist economy is interpreted as a 'natural' one and, therefore, its first true form is War Communism according to Lev Kritsman, as turns out from his book *The heroic period of the Great Russian Revolution (An essay in so-called 'War Communism')*. This book, running into several hundred pages, was first published in 1924 and has remained a unique undertaking in this field to this very day. His basic theorem is that sharpening class warfare brought forward and drove beyond economic possibility the formation of relations characteristic of a socialist economy. To this extent the experiment was doomed to partial failure and involved a temporary withdrawal. But its importance is highly appraised by Kritsman: "In reality, the so-called 'War Communism' is the first grandiose attempt at proletarian natural economy, an *attempt to make the first steps of transition to socialism*. As a matter of fact, it is far from being an aberration of individual persons or of a class. Although not in a pure form, but pregnant with known distortions, this was the *anticipation of the future*, the breaking of the future into the

<sup>34</sup> L. B. Krasin: Gosudarstvennyi khozyaistvennyi plan i monopoliya vneshnei torgovli. *Planovoe Khozyaistvo*, 1925, No. 5, pp. 7-8. - for a later edition, see L. B. Krasin: *Voprosy vneshnei torgovli*. Moscow, 1970, pp. 18-19.

<sup>35</sup> K chetvertomu godu. *Planovoe Khozyaistvo*, 1928, No. 1, p. 7.

<sup>36</sup> A. Kaktyn': Razvitie elementov planovosti vo vnutrennei i vneshnei torgovle SSSR. *Planovoe Khozyaistvo*, 1926, No. 3, p. 84.

present (which is now past). This was made possible by the particular conditions... of the development of the Russian proletarian revolution."<sup>37</sup>

Kritsman stresses the characteristic tendency of the socialist revolution to render the earlier 'fetishistic' relations of the economy 'open' and 'direct', but he interprets the creation of this 'directness' too much as a direct task, by regarding it as a merit of War Communism to have made efforts to assert this tendency "by *liquidating the market*, abolishing commodity, money and credit relations, doing away with commodity economy and, together with it, with commodity fetishism, and replacing it by a *natural economy*."<sup>38</sup>

A help in assessing Kritsman's book is a sharp criticism by a contemporary of his, A. Stetsky, who saw in Kritsman's 'heroic' an attempt at 'rehabilitating' War Communism.<sup>39</sup> In Stetsky's view, the main deficiency of the book is that, while analysing in detail the forced conditions of the revolution and of the civil war, he remains silent about the subjective factors, in particular about the conviction prevailing within the Party that an immediate, direct transition to socialism is possible. "The writings of this era testify to the fact" - writes the critic - "that this idea was prevailing in our Party. Nor can it be doubted that, apart from every objective circumstance, this idea determined our policy in those times. In vain does, therefore, Comrade Kritsman try to brush aside the analysis of this factor and its role with the statement that War Communism was essentially 'far from being an aberration of individual persons or of a class'. - It is self-evident that even if our present ideas had been guiding in those times as to the forms of transition to socialism in our country - the pressure of circumstances would have forced upon us an essentially 'war-communist organization of the economy'. The problem, however, is the *extent*, the *coverage* of the actions, and their *correspondence* with the situation changing in our favour from the end of 1919. The fact that every countrywoman carrying a jug of milk was considered a black-marketeer, that, besides trade in grain and meat, local trade in every other peasant product was cruelly persecuted, that after the end of the civil war and on the eve of the transition to the New Economic Policy the market on Sukharev-Square was closed down, that we were heading towards the abolition of money, that sowing committees were organized to bring peasant economy under direct State control - all this, in our opinion, was not justified by either the military or political circumstances, but was elicited rather by incorrect ideas about the forms of transition to socialism."<sup>40</sup>

Even if we agree with Stetsky as to the causes of War Communism and the transition to the NEP, we feel that this evaluation of Kritsman's book - no doubt strongly influenced by acute political struggles - is too summary and therefore unjust. In other words, Kritsman's work is not 'heroic', even if some of its details and turns may be thus conceived, but a factual examination of the era of War Communism and therefore, in spite of its nostalgic overtones, it does not idealize the era but with its rich details and its conclusions testifying to a keen-sighted researcher gives an objective picture of the economy of War Communism, which in many respects is still valid.

<sup>37</sup> L. Kritsman: *op. cit.* p. 68.

<sup>38</sup> *Ibid.* p. 77.

<sup>39</sup> A. Stetsky: O geroicheskoi poeme tov. Kritsmansk. *Bolshevik*, 1925, No. 2, p. 94.

<sup>40</sup> *Ibid.* pp. 99-100.



Although somewhat deviating from our subject in the strict sense, the chapter entitled *The anarchy of proletarian-natural economy* contains many valuable observations, or rather 'hunches', contributing to our understanding of the logic of socialist economy, particularly that of the later dominating mechanism of plan instructions. We believe, therefore, that a somewhat detailed review of it will not be superfluous.

The initial thesis of this part is that the economy of War Communism was not socialist economy because, although a centralized and 'natural' management was carried on, its planned character was missing. According to Kritsman, planning would involve that "in socialism the activities of all economic cells are no longer determined by the cells themselves, social division of labour is replaced by technical division of labour along the whole line, social economy becomes conscious in its entirety and is carried on according to a definite schedule, according to a pre-determined plan."<sup>41</sup> This definition postpones planning somewhere into the far future, into communism, since only then can social division of labour be replaced by technical division, and can the principle of 'one society – one enterprise', conceived in this sense, be implemented. This technical-minded, we may say, utopistic, conception of planning, however, enables our author to arrive at a conclusion very much rooted in reality, which is an important theoretical step forward over the war-communist ideology, namely, in stating that the liquidation of commodity production does not, in itself, create socialist planned economy: "If we consider the whole of economy..., we reach the conclusion that *exploitation and the market* has been conquered in our proletarian-natural economy *without overcoming the anarchy of economic life*... As is well known, commodity economy is anarchic economy. It would, however, be incorrect to draw the conclusion that non-commodity-producing, that is, natural economy is necessarily one without anarchy, that is, a planned economy... The multitude of economic (independent) subjects is a necessary and sufficient condition of anarchic economy."<sup>42</sup>

Kritsman does not ask the question why economic separateness survives, and much less the second one, logically following from the former, whether under such conditions the abolition of commodity production and of the market is correct (to this extent, he continues to remain a prisoner of war-communist ideology), but he most eloquently describes the anarchic phenomena born in a centralized 'natural' economy by different economic interests and by economic separateness (to this extent, therefore, he is acting as a conscientious scientific researcher).

Accordingly, the anarchy of the system called 'proletarian-natural economy' culminates in supply. Namely, supply – the central allocation of different products – is performed by diverse agencies, and these assert different preferences in their decisions; the quantities allocated frequently differ from the needs of the users. As a consequence, "the addressee can never get everything it needs in *proportional* quantities. Therefore, in the proletarian-natural economy investigated by us supply is unorganized."<sup>43</sup> According to Kritsman, this situation results in crises analogous to those in a capitalist society, but their forms of appearance are different. In capitalism, anarchy leads, namely to overproduction, superfluous products

accumulate with the *producers*. "But we meet with essentially the same phenomenon – the impossibility of using (consuming) the products available to and necessary for society as a whole – also in the proletarian-natural economy. But here this appears in an opposite form: the product surpluses begin to accumulate with the *users* and not with the producers. No surpluses can accumulate with the producers, since the product is not superfluous in an absolute sense; as a matter of fact, if such a surplus is formed, it will be immediately allocated when the first demand for it is announced. But, the multitude of allocating organizations, independent of one another, unavoidably involves cases in which, e.g., an organ demanding kerosene lamps gets all the necessary lamp-chimneys (100 per cent) from one economic organization, but only 60 per cent of the holders from another, 50 per cent of the wicks from a third one, and only 20 per cent of the burners from a fourth one. In this case,  $\frac{4}{5}$  of the lamp-chimneys,  $\frac{2}{3}$  of the holders and  $\frac{3}{5}$  of the wicks will prove to be superfluous and lie wasted. A month later, the burners, so much needed by the first user, will lie unused with another organ needing kerosene lamps. Similar cases are unavoidable with fuels, raw materials, various complementary materials."<sup>44</sup> The example fits into an anecdote, but the author could hardly have thought that not only the comic papers, but also professional scientific journals would be full of such cases in ensuing decades!

Kritsman does not stop at this analogy, but draws a new parallel: "In the proletarian-natural society labour lies without movement (sic! – *L. Sz.*) with its users – the analogy of unemployment emerges in this system in the form of idle times, production difficulties, in truancy due to difficulties in the supply of the enterprises or the workers, all most characteristic of this system. Here too, we face the same phenomenon, only in an opposite form."<sup>45</sup>

In sum, these phenomena lead, according to Kritsman, to a general production crisis, which is not an overproduction crisis, as under capitalism, but a supply crisis expressed in the shortage of products. Thus, he considers shortage economy – similarly to overproduction under capitalism – to be an inherent tendency of 'proletarian-natural economy'. "In neither case does this mean that the consumption of the surplus product or the production of what is lacking is a natural impossibility. This impossibility is not natural but social in character, it is rooted not in the nature of things, but in that of the given society... When there arises a shortage of products, that is, unsatisfied demand (need) in the proletarian-natural society, there exist (identical) unused products because the corresponding production cannot be boosted to the necessary extent, because materials necessary for production are missing because they were not received in the course of allocation, that is, because of the shortage that has arisen... The troubles in supply, connected with these features of the anarchy of the proletarian-natural economy are no less constant characteristics than are the realization difficulties of a commodity-capitalist society; if in the latter case periods of stagnation and crisis are replaced by those of high boom, in the former the supply difficulties present themselves now here, now there, and sharpen at times into general crises."<sup>46</sup>

<sup>41</sup> L. Kritsman: *op. cit.* p. 97.

<sup>42</sup> *Ibid.* pp. 98–99. (Italics in the original.)

<sup>43</sup> *Ibid.* p. 101.

<sup>44</sup> *Ibid.* pp. 102–103.

<sup>45</sup> *Ibid.* p. 103.

<sup>46</sup> *Ibid.* pp. 103–104.



The strength – and the weakness as well – of Kritsman's analysis lies in his attributing the troubles of a centralized, 'natural' command economy exclusively to the imperfection of the mechanism. That is, in analysing the phenomena of shortage economy, he does not refer to such undoubtedly objective phenomena as war destruction, or the scarcity of resources for growth. This circumstance was later a real limiting factor in the development of Soviet economy for several decades. Nor does he refer to subjective mistakes, errors, incompetence, irresponsibility or even to intentional sabotage – explanations which were similarly to become usual in several variants, in later decades. Yet his diagnosis proves to be false for several reasons. Since he narrows down his analysis to the functional mechanism of the system and neglects the basic interrelations of the relations of production – indeed, in a broader sense even the factors of economic growth –, he reaches such exaggerated and erroneous conclusions as the unavoidability of general economic crises. We know well – and the fifty years of socialist economy testify to it – that, in spite of all economic troubles, mistakes in economic policy, etc., economic crises involving falling production occur only as rare exceptions in a socialist economy. This is why also the parallel drawn with the functioning of a capitalist economy is false: it moves on the surface and does not go deep into analysis of the contradictions inherent in production relations. Kritsman seems to ascribe crises under capitalism to the market mechanism, and in the 'proletarian-natural' economy, to the uncoordinated activities of various economic organs. The therapy he recommends consists in the application of characteristically war-communist recipes: although he says that economic troubles are caused by the deviating interests of the various economic organizations, he seems to find a solution in drawing up an economic plan rising above the various interests, harmonizing everything and foreseeing everything, acting almost with the force of Providence, which would be integrated and detailed in physical terms, and not in creating, in bringing about more direct contacts between production and consumption with forms of movement corresponding to the conflict of interest. That is, he maintains a favourite idea of the war-communist years, aptly called by Lenin 'a bureaucratic scholasticism'<sup>47</sup> as early as in February 1921.

## TWO LINES IN ASSESSING THE PERSPECTIVES OF THE NEW ECONOMIC POLICY

The discussion about developing an expedient functional mechanism of socialist economy – or, if you like, about the *economic* aspect of NEP – was obviously closely related to the discussion within the Party about the *political* aspect of NEP, about the tactics and strategy to be employed in the class war, about desirable ways of building socialism and, in a narrower sense, about those of economic development. In the final analysis, the outcome of the latter also decided, for some decades, the functional model of socialist economy. An analysis of this process for economic history and for the evolution of economic thought, is still a task to be solved. In this small book we can only sketch the – necessarily rough – outlines of the initial reasoning of the two opposed conceptions.

<sup>47</sup> Integrated economic plan. In: V. I. Lenin: *Collected works*. Vol. 32. p. 137.

The literary elaboration and exposition of the first conception is associated with the name of Evgeny Alekseevich Preobrazhensky and is familiar from his book entitled *Novaya ekonomika* (New economics) written in 1924–26. His main points, however, may be found already in a study published in the autumn of 1921, that is, soon after the start of NEP and *prior* to the experience gained therefrom,<sup>48</sup> – one which has escaped the attention of those engaged in the history of economic thought.

Accordingly, as a consequence of introducing NEP, two 'natural laws of development' will simultaneously assert themselves in the country. One is the 'natural law of development of small commodity production' which 'creates' capitalist relations or reproduces them, while the other is the 'natural law' of development of socialist society coming about on the basis of large-scale industry, with a tendency to expand its scope at the expense of the petty-bourgeois and capitalist environment. (It is not difficult to see that we have here the same two laws as figure in *Novaya ekonomika* as the law of value and the law of primitive socialist accumulation.) Then the author analyses the consequences of the operation of these two laws. The development of small commodity production under the conditions of NEP leads to a strengthening of capitalism both in the countryside and in the town. This process is supported by foreign capital associated with 'concessions'. At the other pole, in the field of socialist production and allocation, the following process will take place: "The socialist island – having begun economic reconstruction in the most important branches of large-scale industry and transport – will expand simultaneously, partly as a result of development that relies on its own forces, and partly as a result of deductions from the incomes of the petty-bourgeois environment."<sup>49</sup>

Development relying on its own forces is based on production of large-scale industry and mining, these providing a growing cover for exchange with the countryside. The other source – the tapping of incomes of the petty-bourgeois environment – would be fed from the following channels: (1) the invariable or slowly increasing volume of the tax in kind; (2) taxation of small-scale industry, trade and private industry, the extent of which would initially rise proportionately with the growth of production but would later grow faster, so that the majority of the surplus product would go into the socialist accumulation fund and not into the capitalist one; (3) monopoly of foreign trade, which would achieve a 'socialist trading profit' by exporting peasant grain and by importing foreign industrial goods; (4) income from currency-emission: the usual gain related to issuing Soviet money that had become stabilized as a result of an expanding commodity turnover.

Relying on all this, socialist large-scale industry will develop rapidly. (As a curiosity characteristic of the historical situation, let us mention Preobrazhensky's hope that shortly a massive immigration of foreign workers into Russia would start, the 'proletarian colonization of Russia'<sup>50</sup> would begin, solving the skilled-labour problems of developing industry and expanding the class basis of pro-

<sup>48</sup> E. Preobrazhensky: *Perspektivy novoi ekonomicheskoi politiki*. *Krasnaya Nov'*, 1921, No. 3, (Sept.–Oct.) pp. 201–212.

<sup>49</sup> *Ibid.* p. 205.

<sup>50</sup> *Ibid.* p. 206.



letarian power.) The successes of industrialization would also accelerate the socialist development of agriculture. State farms (*sovhozy*) and collective farms in the country would consolidate and increase, together with the farms of industrial enterprises; their mechanization and electrification will increase, the economically strengthened Soviet State will gradually terminate the contracts concluded for leasing medium-sized plants, and retail trade will also subordinate itself increasingly to socialist large-scale production. And what will be the final outcome? "This process of regularly restricting and ousting private small and medium-sized industry and the steady pressure on the *kulaks*, the high taxes, etc., will release the indignation of that part of the petty-bourgeois environment which unflinchingly tries to enjoy the possibility for unhindered capitalist accumulation. The bourgeois-*kulak* counterrevolution will break out and will be easily crushed under existing power relations. After it has been crushed a period of, if we may say so, socialist reaction will set in. The New Economic Policy will, to a certain extent, be abolished; after the period of partial denationalization, increased nationalization of all that is advantageous for the Soviet State to nationalize will begin. We shall have passed the critical period, and socialism will be victorious along the whole line."<sup>51</sup>

This prophecy of socialist construction accordingly builds its strategy on sharpening class struggle. We must notice, however, that in the author's eyes this is not the objective, but the unavoidable road of development. Although 'socialist reaction' stands close as a concept to Larin's 'communist reaction', the precipitating cause with Preobrazhensky is not the defence of some ideal of economic organization, but the requirement of economic growth. In other words, Preobrazhensky interprets the question 'who beats whom' of the transitional period as the question of disposal of the surplus product, and not in terms of the fight for State power or economic competition between the capitalist and the socialist sectors; and this is why with him economic growth unavoidably leads to some political conflict which is resolved by armed contest. In his opinion this conflict will come the sooner the faster is economic development.<sup>52</sup> By this economic development he understands mainly industrialization, that is, the development of mechanical large-scale industry, at the expense of the surplus product of the 'petty-bourgeois environment' – that is, the peasantry. Faster industrialization is served by the concentration of resources for accumulation in the hands of the State, which again concentrates them in the chosen field of key importance. It is quite obvious, although Preobrazhensky never says so, that a fast development of this nature involves a neglect of large productive sectors – above all of agriculture –, sharp breaks in the existing economic structure and the upsetting of economic equilibrium for a long time. To this extent, also his prophecies relating to political shocks and conflicts have their basis.

<sup>51</sup> *Ibid.* p. 207.

<sup>52</sup> "If we represented graphically the parallel development of capitalist and socialist relations and established at what point collision starts, the whole process could be conceived as two truncated pyramids set side by side but standing upside down and starting growing. For some time growth is possible in both spheres without collision! But a moment arrives when collision is unavoidable and someone must stand aside. . . . The conflict matures the faster the more successful the development is on both lines. Its maturity is delayed if stagnation or slow development ensues." (*Ibid.* pp. 209–210.)

In this conception there is really no place for the market mechanism created by NEP. It is no mere chance that the substance of the New Economic Policy is restricted by Preobrazhensky to the 'coexistence' of the two types of economic growth (accumulation). The theoretical-practical revision of the methods of management started by NEP does not suggest any ideological or economic considerations to him – these did not appear as essential to him at all. Although the process of economic development, as conceived by him, assumes the existence of commodity and money relations (home and foreign trade, banking and credit system, monetary circulation and taxation system), it is precisely the character of this development that demands strictest centralization, and in implementing centralized decisions it is unavoidably administrative measures that prove to be the most effective, even if they assume the disguise of some commodity and money categories. As he writes at the end of his article, "the outcome of the fight will depend, in the highest degree, upon the organization of the two extreme poles, particularly on the strength of the State machinery of the dictatorship of the proletariat".<sup>53</sup>

The best theoretical exponent of the other conception was N. I. Bukharin (whose conception was shared for some time in the mid-twenties also by the majority of the Central Committee headed by Stalin). Since his conception about the substance of the NEP and its perspectives developed only gradually, we should look in vain in Bukharin's writings for such an early exposition as has been found with Preobrazhensky. In his pamphlet entitled *The new course of economic policy*, published in 1921,<sup>54</sup> he still treated the problem from the standpoint of 'retreat and advance', although even this writing indicated a definite break with his former views: here he emphasized the importance of individual and collective material interest and discarded extra-economic coercion as a tool in developing production. His views took a mature shape in 1924–25. We shall accordingly review the main lines of his conception on the basis of his report delivered to the Moscow Conference of Party Workers in April 1925, dealing with the New Economic Policy and related tasks.<sup>55</sup>

His conception is also focused on problems of economic growth, but he sees the conditions for accelerating development in establishing connections between various sectors of the economy, in intensifying their co-operation, in development of economic turnover. From this point of view he attributes 'extraordinary importance' to the growth rate of peasant economy. He also finds the main characteristic of War Communism in that it was mainly a system for rational distribution and utilization of existing stocks under conditions of war, but it severed, it cut the turnover between industry and agriculture and its branches and, therefore, proved to be a system unsuited for economic reconstruction. As opposed to this, the role of NEP is utterly different: "What is the sense of the New Economic Policy?" – he asks the question – "Many of our comrades in the Party think that the sense of the new economic mechanism is this: the peasant has attacked us, the petty-bourgeois

<sup>53</sup> *Ibid.* p. 211.

<sup>54</sup> N. Bukharin: *Novyi kurs ekonomicheskoi politiki*. Gosudarstvennoe Izdatel'stvo, Petrograd, 1921.

<sup>55</sup> N. Bukharin: *O novoi ekonomicheskoi politike i nashikh zadachakh*. *Bolshevik*, 1925, No. 8, pp. 3–14, and Nos. 9–10, pp. 3–15.



elements have rebelled, we are retreating, and nothing else – allegedly this is what the whole amounts to. But, of course, the issue is not only this or rather, *not so much* this. The meaning of the New Economic Policy, still called by Lenin a correct economic policy in his brochure on the tax in kind, is ... that a whole series of economic factors – which earlier could not fertilize one another because of being closed with the key of War Communism – now have come into a position to fertilize one another and thereby promote economic growth.”<sup>56</sup>

He also looks upon personal interest as such a factor, and not only the interest of the small commodity-producing peasant, but also that of the worker in large-scale industry. This, too, has been put at the service of economic development by NEP. As he self-critically remarks, NEP changed earlier ideas about creating socialism after the seizure of State power: “In broad outlines, earlier we conceived the matter as follows: we conquer power, seize almost everything, introduce planned economy at once, and should some nonentities bridle, we should pull their ears and subdue them and the matter would be settled. Now we clearly see that the matter will not at all develop like this.”<sup>57</sup>

And now Bukharin outlines his ideas of the road to be followed in building socialism, as conceived on the basis of new experience: “Our earlier ideas consisted in an almost immediate attainment of planned economy. – Our present ideas are different. We conquer the main commanding heights, with this we achieve what is *most important*; thereafter our State economy will, in various ways – competing sometimes even with the remnants of private economy through market relations – increase its economic potential step by step, more and more, will enhance its power and gradually draw the backward economic units within its scope by various methods, in addition, usually *through the market*. How do we oust the immediate adversary, private capitalists? With competition, with economic struggle. If they sell cheaper, we must achieve a situation in which we can sell even cheaper. This is, in the present situation, what *our class warfare* now consists in. – In this way we shall arrive at a planned economy, as a result of many years’ economic warfare involving much fatigue with the remnants of the private capital, as a consequence of our growing economic strength. It will be a long process. For some time in the country we shall develop economic forces not only in our own power, but even those to be found with our adversaries; we must put

<sup>56</sup> Bukharin: *op. cit.* *Bolshevik*, 1925, No. 8, p. 6.

<sup>57</sup> *Ibid.* p. 7. – In another article of his, written in those times, Bukharin writes in even sharper terms about the mistaken nature of the earlier concept. With the introduction of the NEP “War Communism”, he writes, “has failed as a system and so has the *ideology* of War Communism, that is, the *illusions* that had been present in our Party. This does not mean that the system of War Communism was fundamentally incorrect in those times. Under the conditions of external and internal blockade we were compelled to do as we did. But the substance of the matter is precisely that we had no clear ideas about the *relative nature* of war-communist policy. – We then believed that our peaceful organizing work, our economic policy, the building of our economy would be a *further continuation* of the centralized planned economy of that era. Since, however, we centralized pretty much in those times, the idea naturally followed that socialist planned economy standing on firm feet was near. In other words, we conceived War Communism as the universal, general, so to say ‘normal’ form of the economic policy of the victorious proletariat and not as being related to the war, that is, conforming only to a definite stage of the civil war. Simple rational forms of strictest parsimony at the lowest point of the decline of the productive forces were mistaken for the rational forms of peaceful economic policy.” (N. Bukharin: *O likvidatorstve nasikh idei. Bolshevik*, 1924, No. 2. – A newer publication: *The Path to Socialism in Russia. Selected Works of N. I. Bukharin*. Omicron Books, New York, 1967, p. 178.)

them into a situation where they willy-nilly serve our cause simultaneously. – We may therefore admit that, if our earlier idea of the development of the socialist system consisted in believing that by creating the dictatorship of the proletariat we immediately liquidate the market, that capitalist economy will thereby be *immediately* annihilated and there will be *immediately* planned economy – so far we have been mistaken. This does not happen immediately, but in a *process of intermediate forms of ousting, conquering and transformation*. In this process market relations, money, the stock exchange, banks, etc. play a very great role.”<sup>58</sup>

Bukharin thus bases the strategy of socialist construction and economic growth on the balanced growth of a multisectoral transitional economy. He believes that economic growth does not at all lead to sharp conflicts between different sectors, the resources for socialist accumulation should be achieved by an interrelated development of all productive resources and not by stifling the other sectors. In other words, in possession of the economic key positions the proletarian State is capable of canalizing the activities of private producers in the proper direction and organizing them.

This strategy of proportionate development would not lead to sharp political conflicts. Bukharin thinks that it is unnecessary and even harmful to economy to carry on class warfare by administrative methods. If a ‘Massacre of St. Bartholomew’ were organized for the village bourgeoisie, the socialist State would lose large resources for economic growth, which could otherwise be exploited for its purposes through the channels of taxation and the banking system. Otherwise, Bukharin attributes primary importance to commercial and credit relations in the socialist reorganization of agriculture: in his view, the main road leads through the organization of commercial associations of various kinds (selling, purchasing, machine-leasing, etc.) and not through productive associations.

As appears from the excerpts quoted, the economic mechanism can no longer be immaterial for such a strategy of economic development, but must necessarily build upon methods of market economy and market regulation. This explains also the ‘turn’ in judging socialist managerial methods that we witness when we compare Bukharin’s lines that we have quoted here with those written in 1920. His entire tactic of economic development relies on market competition between the socialist and the small commodity-producing sectors, which – in a very long term and at a relatively slow rate – must bring victory for the socialist forces.

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The familiar course of history has not proceeded along this lengthier way of socialist construction but has implemented a shorter though more expensive solution. Later generations are no longer in a position to revise or invalidate the once realized choice of historical alternatives: these are unalterable facts. But, simply because they happened thus, because of their being facts, these decisions are fixed in the consciousness of later generations as necessary, even as the only possible solutions; and when, in new situations, some similar alternatives have to be decided between, ready-made solutions may have a powerful retrograde impact – if we do not exactly know the substance of the original alternatives and the decisive circumstances of the historical choice.

<sup>58</sup> N. Bukharin: *op. cit.* *Bolshevik*, 1925, No. 8, p. 9. (All italics in the original.)